

Sustainable Urban Development and the Political Economy of Growth

in Phoenix, Arizona

by

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ABSTRACT

Sustainable development in an American context implies an ongoing shift from quantitative growth in energy, resource, and land use to the qualitative development of social-ecological systems, human capital, and dense, vibrant built environments. Sustainable urban development theory emphasizes locally and bioregionally emplaced economic development where the relationships between people, localities, products, and capital are tangible to and controllable by local stakeholders. Critical theory provides a mature understanding of the political economy of land development in capitalist economies, representing a crucial bridge between urban sustainability's infill development goals and the contemporary realities of the development industry. Since its inception, Phoenix, Arizona has exemplified the quantitative growth paradigm, and recurring instances of land speculation, non-local capital investment, and growth-based public policy have stymied local, tangible control over development from Phoenix's territorial history to modern attempts at downtown revitalization. Utilizing property ownership and sales data as well as interviews with development industry stakeholders, the political economy of infill land development in downtown Phoenix during the mid-2000s boom-and-bust cycle is analyzed. Data indicate that non-local property ownership has risen significantly over the past 20 years and rent-seeking land speculation has been a significant barrier to infill development. Many speculative strategies monopolize the publicly created value inherent in zoning entitlements, tax incentives and property assessment, indicating that political and policy reforms targeted at a variety of governance levels are crucial for achieving the sustainable development of urban land. Policy solutions include reforming the interconnected system of property sales, value

assessment, and taxation to emphasize property use values; replacing existing tax incentives with tax increment financing and community development benefit agreements; regulating vacant land ownership and deed transfers; and encouraging innovative private development and tenure models like generative construction and community land trusts.

DEDICATION

Dedicated to the cornerstones of my life: my parents, Richard Stanley and Patricia Woodruff Stanley; and my wife, Elizabeth Flesher Stanley.

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Chapter 1: A Theory of Sustainable Urban Development

Sustainable development seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future. Far from requiring the cessation of economic growth, it recognizes that the problems of poverty and underdevelopment cannot be solved unless we have a new era of growth...

(WCED 1987, sec. I.49)

The concept of sustainable development remains indebted to the Brundtland Commission's famous formulation, which suggests balancing present and future needs when reconciling potentially destructive human-environment interactions. This widely cited definition implies that there is a limit to the stock of environmental resources available for human sustenance, and that sustainability involves regulating the pace of depletion. Many fewer commentators, however, recognize that this static narrative of needs and limits is intertwined with an explicit endorsement of perpetual economic growth – a dynamic notion of development that seems somewhat in conflict with the dictionary definition of “sustainable.” The Brundtland Report warns of a “vicious downward spiral” in which “poor people are forced to overuse environmental resources to survive from day to day, and their impoverishment of their environment further impoverishes them, making their survival ever more difficult and uncertain” (WCED 1987, ch. 1, intro., sec. 3). Yet simultaneously, its authors do not see growth in population and urbanization as the problem as much as the solution, and express hope

that “a new era of economic growth can be attained, one based on policies that sustain and expand the Earth's resource base” (ch. 1, intro., sec. 7).

Thus at the heart of “sustainable development” there exists a distinct conceptual tension between environmental protection and growth-based solutions to human poverty. The Brundtland Report recognizes that not only can short-term, need-based growth destroy the natural environment (WCED 1987, sec. 1.8), but longer-term economic growth benefitting advanced countries can do so as well (sec. 1.9). Cities are seen as the locus of economic growth trends that increase pressure on environmental resources (Sanchez-Rodriguez 2008). Cities often exert an “ecological footprint” of resource use larger than their regional hinterlands and, aggregated with other cities, larger than the carrying capacity of the worldwide environment (Rees 1992; Newman and Jennings 2008). Yet the report still emphasizes that “reviving growth” and “changing the quality of growth” are the prime objectives of sustainable development policies (WCED 1987, sec. 2.28).

Varied responses to the Brundtland Report over the past 25 years indicate that the tension between environmental sustainability and economic development continues. In a 1995 issue of *Science*, a large group of academic economists and ecologists endorsed a statement arguing that: “(1) the environmental resource base is finite, (2) there are limits to the carrying capacity of the planet, [and] (3) economic growth is not a panacea for diminishing environmental quality” (Daly 1996, 10). In this line of thought, not only does resource depletion threaten sustainable development goals, but the waste absorption capacity of the environment represents an equal or greater threat to continued economic well-being (Daly 1996). Others note that despite aggregate increases in global living

standards, and widespread aspirations to encourage economic growth, inequality and poverty have risen significantly in the past fifty years (Edelman and Haugerud 2005). Despite these dissents, “capitalist economic growth has been a generally accepted and central aspect of sustainable development discourse since the Bruntland Report” (Harlow et al. 2010, 5). There has been no clear consensus about how to define or enact sustainable development policies, nor about how to balance the oft-conflicting goals of environment, economy, and equity in the Bruntland Report (Satterthwaite 1997).

There does seem to be consensus, however, that the urban scale represents the locus of both the problems behind and solutions to sustainable development (Gibbs 1997). Continued urbanization – manifested by the densification of the built environment and the differentiation of complex urban economies – is seen as essential for spurring socio-economic well-being and decreasing poverty while concomitantly preserving the natural ecosystems surrounding cities (Martinez 2008). Despite the worthy arguments of detractors, urban growth driving simultaneous improvements in economy, environment and equity is still elevated as the answer to social-ecological problems initially triggered by growth (Sanchez-Rodriguez 2008).

In the following pages, the argument for a growth-based solution to sustainability problems will be thoroughly investigated under the notion that the “growth paradigm” underlying the sustainable development discourse is unavoidable. In this contestable vision, the choice between economy, environment, and equity is a false one – all three can be strengthened if proper strategies of urbanization are pursued. First, the growth paradigm at the foundation of modern understandings of physical, natural, and socio-economic systems is dissected. Although constant growth (or decline) may be a

fundamental driver of the natural world, the positive ideal of growth also may be subjectively magnified in human-driven systems. Next, conceptions of growth and development are contrasted to suggest a productive tension between aggregate, efficient, and novel dimensions of the growth process. A third section frames the growth paradigm by reviewing four disciplinary conceptions of development: ecological, human, regional economic, and land. Finally, the concluding section draws upon these conceptions as well as other works to propose an emergent definition of sustainable urban development.

The Growth Paradigm

As the philosophical and practical core of sustainable development discourse, the “growth paradigm” is worth investigating as both a natural imperative and a normative narrative impacting social-ecological systems.

Thermodynamic Systems

Complex adaptive systems theory lies at the heart of the nascent discipline of sustainability science as well as other disciplines addressing the juncture between physical and natural systems. A focus on complex systems first emerged from the formulation of chaos theory by physicists like Ilya Prigogine. Chaos theory disproved classical science’s assumption that “time-reversible fundamental laws” lay at the heart of the physical world, replacing it with the dictum that “irreversibility...lies at the origin of most processes of self-organization” (Prigogine and Stengers 1984, 8). A certain directionality towards unique configurations was seen to undergird natural systems that fomented self-organization from the baseline of energetic chaos caused by the Second

Law of Thermodynamics. Chaos theory changed the assumption that physical systems tend to rest in equilibrium states, replacing it with a focus on “far-from-equilibrium systems” that continuously reproduce and grow a unique structure in response to uneven additions of energy (Prigogine and Stengers 1984). These systems were termed “dissipative structures” because as a function of the self-organization process of material and energy cycling, they degrade useful energy and dissipate heat waste into their surroundings (Schneider and Sagan 2005). The earth was now conceived as an “open system” because both nonliving systems (e.g., a tornado) and living systems (e.g., a biological cell) “are dependent on outside energy fluxes to maintain their organization and dissipate energy gradients to carry out these self-organizing processes” (Schneider and Kay 1995). Although increasing levels of self-organization would seem to contradict the Second Law’s mandate of perpetually increasing entropy, a broader view of open dissipative systems indicates that such organization is simply a quicker, more efficient way to degrade structured energy into unstructured heat; in essence, “order emerging from disorder in the service of causing even more disorder” (Schneider and Kay 1995). In this new conception of physics, nature spurs the rise of open, material-cycling, complex systems to eliminate energy gradients, providing a common basis for understanding the emergence of “economies, chemical reactions, ecosystems, and solar systems” (Schneider and Sagan 2005, xiv).

To some extent, dissipative systems theory implies that attempts at constant growth are inevitable features of far-from-equilibrium systems. The idea of autocatalytic cycles – positive feedback loops that interact to produce organization – rests on the notion that different cycles compete for materials and energy and “are selected for or

against by their ability to enhance the autocatalytic activity of the system as a whole” (Schneider and Sagan 2005, 99). This baseline of natural selection means that systems are inherently “growth-enhancing” (Schneider and Sagan 2005, 101). Autocatalytic systems don’t just strive for growth, but tend towards exponential growth provided that energy and material resources are not limited and that organization can be produced faster than entropy losses (Odum 2007). Systems tend to grow in both size and complexity not just to satisfy, but to actively enhance the functional goals of both the Second Law of Thermodynamics and Darwin’s theory of evolution: ever-increasing entropy through biological differentiation (Schneider and Sagan 2005). It is important to recognize, however, that this physical growth paradigm does not imply that certain types of growth are fated to occur or that energy dissipation will be naturally maximized. Complex systems theory is founded on the notion that self-organization is randomly born from an inherently chaotic universe, and dissipative systems may spontaneously produce different types of order at different times in response to similar conditions. Furthermore, the time scale of dissipative strategies can vary widely, and no one strategy is naturally privileged over another in long-term perspective. “Quickly growing systems – ones that through evolution, technology, or both, tap into previously unrecognized or untapped gradients – may spread like wildfire. But, like raging flames, they rob themselves of their own resources. Slow growers, by contrast, display an innate ingenuity; they make up in longevity and cunning what they lack in rapid gradient destruction, dissipation, and entropy production. They gratify nature not instantly but enduringly” (Schneider and Sagan 2005, 159).

Ecological Systems

New scientific understandings of ecosystems, based on adaptive cycle and resilience theories, indicate that the growth paradigm may be fundamental to the existence of living systems. Adaptive cycle theory posits that all living systems tend to progress through a four stage process of growth, decline, and reorganization that lies at the heart of the evolutionary dynamic (Walker and Salt 2006). Living systems, from individual species to entire ecosystems, are observed to first grow rapidly in response to available energy. This rapid growth phase (*r*) privileges the fastest growing species, those that can outcompete rivals due to the pace of growth alone. As growth progresses, competition over increasingly scarce resources begins to privilege specialized strategies over pure opportunists, and systems enter the conservation phase (*K*). In this phase, systems tend to develop more internal complexity and interdependencies, and growth is based more upon increasing the efficiency of energy capture through specialized innovations. Yet adaptive cycle theorists note that the *K* phase cannot be maintained forever, especially as complex system relationships become increasingly “brittle” and inflexible to innovation. Disturbance eventually disrupts system structure in a third release phase (omega), and stored energy is released for eventual reorganization (alpha) into a new system state. Newly available energy becomes the catalyst for another iteration of the adaptive cycle, beginning with a rapid growth phase based on newly unique conditions (Walker and Salt 2006).

The growth paradigm lies at the core of adaptive cycle theory. Like dissipative systems theory, the adaptive cycle implies that systems are in constant flux, far-from-equilibrium, responding to uneven distributions of energy with continual bursts of growth

and decline. Odum (2007) argues that systems naturally “pulse” in response to available energy, continually growing and declining in order to maximize energy use. Both the r and K phases promote maximum energy dissipation since “power is maximized at first by low-diversity overgrowth and net production and later by durable structures, high-diversity division of labor, and efficient recycle” (Odum 2007, 55). Complexity emerges in self-organizing systems to replace aggregate growth strategies, but instead of halting growth, it produces a different type of growth that replaces quick energy dissipation with more enduring strategies (Schneider and Sagan 2005).

Resilience theory builds upon the foundation of the adaptive cycle to focus on how systems recover from or change due to disturbances. Unlike more classic ideals of engineering resilience, which attempt to specify the conditions for preserving existing systems, new conceptions of resilience embrace the innovations and alterations born from the release and reorganization phases as central to resilient systems at larger scales. Instead of viewing disturbance pejoratively, some note that “disturbance has the potential to create opportunity for doing new things, for innovation and for development” (Folke 2006, 253). Static visions of ecosystem succession, where ecology tends towards similar climax states under specific climate conditions, have been replaced by this newly dynamic notion of socio-ecological system resilience (Holling et al. 2002). Instead of being defined in reference to a specified end state, resilience is now associated with the “unpredictable opportunity” generated by growth cycles, and a dynamic world of growth and decline is a foundational component of this understanding (Holling 1994).

Some authors have attempted to apply adaptive cycle theory to the evolutionary development of human systems, even though applying ecological metaphors to social

systems can be fraught with difficulty (Holling et al. 2002; Odum 2007; Newman and Jennings 2008). Odum (2007, 59) writes that in premodern agrarian societies, “cultures and civilizations grew and dispersed...as energy resources were accumulated and consumed in frenzied pulses of local, momentary growth. Like ecosystems, human societies alternated between the stages of simple overgrowth and climax periods of complexity and diversity.” Odum now warns of a worldwide capitalist system with temporary access to abundant fossil fuel energy, arguing against a capitalist “overgrowth frenzy” that, like other *r* phases, will burn itself out without regard for long-term consequences.

The application of ecological concepts to the understanding of human systems is a highly contentious action. The idea of environmental determinism, initially spawned by the rise of Social Darwinism, was widely applied to social studies from the mid-19th to mid-20th century (Peet 1985). The notion that social stratification is preordained in natural law became manifest in everything from urban theories of natural, race-based neighborhood succession (Metzger 2000) to Nazi theories of anthropogeography (Peet 1985). These types of racist theories have been thoroughly discredited. Yet complex adaptive theory is different in that, instead of predicting a teleological end to a specific social process, it describes open-ended systems and avoids a deterministic outcome. Thus when observing human history from a long-term perspective, some have illuminated legitimate ways in which human civilizations seem to adhere to the ecological growth paradigm. Tainter (1988), for example, views the constant growth and decline of civilizations as a “seemingly inexorable trend” in history. “Human history as a whole has been characterized by a seemingly inexorable trend toward higher levels of complexity,

specialization, and sociopolitical control, processing of greater quantities of energy and information, formation of ever larger settlements, and development of more complex and capable technologies... Complex societies, once established, tend to expand and dominate” (Tainter 1988, 3, 24).

While Odum is concerned with the ways in which modern socio-economic system resemble the *r* phase, Tainter compares advanced civilizations more with the late *K* phase of development, where complexity can become too elaborate and resistant to innovation for further growth and sustainability. Although the difference between these authors indicates the pitfalls inherent with comparing ecological and social systems, it is notable that both emphasize the possibility of a growth paradigm when considering the meaning of sustainable development. Redman and Kinzig (2003), less convinced of the inevitability of growth, summarize the dilemma presented by Tainter’s vision of human history: “What happens in human-sustained, intensive systems over very long periods of time? Do they always attempt to grow? Can stable plateaus be maintained? Is collapse inevitable?”

Urban Socio-economic Systems

Although some long-term perspectives suggest that growth (or decline) in socio-economic systems may be a natural imperative, the ways in which a growth mandate has become encoded in academic and institutional thought in advanced capitalist economies indicates that the growth paradigm itself has become an institutional force. Since growth enriches certain members of society, it has become an end in itself in economic and political practice, perhaps becoming divorced from any underlying natural prerogative.

Economic growth became an unquestioned mandate in both capitalist and communist socio-economic systems in the 19th and 20th centuries, and the discipline of economics is founded upon the notion that unending economic growth is the ultimate goal of human systems (Daly and Farley 2003). Macroeconomic policy, for example, is oriented towards “stable market-driven economic growth without limit” (Daly and Farley 2003, 223) and does not take into account natural limits on resource and energy use (Daly 1999; Hawken et al. 1999). Furthermore, since the money supply in capitalist systems “bears interest as a condition of its existence...a requirement for growth (or else inflation) is built into the very existence of our money supply” (Daly and Farley 2003, 250). The fractional reserve system in modern banking, which allows banks to lend out up to 90% of their holdings to make a profit, is specifically predicated upon continued economic growth. Although this is standard practice in the 21st century, it was a highly debated practice only 100 years ago (Daly and Farley 2003).

In fact, the history of American cities illuminates that the economic growth paradigm is a relatively new and transformative ideal for institutions and municipalities. Miller (1978) notes that 17th century American cities and institutions were “dominated and defined by the assumption of scarcity” (132), and to prevent conflicts over scarce mineral and agricultural resources, government regulation of corporate charters was standard practice. After the mid-17th century, however, technological advances and the rise of colonization began to challenge assumptions of perpetual scarcity, offering an “invigorating glimpse of plenty” (133) and undermining institutions built on centralized political control and monopoly power. Enlightenment ideals of progress combined with new visions of political economy encouraging corporate competition to relax the

preoccupation with scarcity, and especially after the American Revolution and the opening of the American frontier, notions of economies without limits became increasingly central to socio-economic thought. Municipalities, first created as corporate entities charged with regulation, were legally and socially redefined as stimulators of socio-economic growth, as “powerful machines for the making of civilization” (Miller 1978, 137). The continued expansion of the American frontier led to rapid urban growth in the second half of the 19th century, and “the magnificent prospect of infinite man-made wealth” (139) emerged as an ideological shift. Local civic advocates reproduced this narrative of abundance to promote local urban growth, believing that “one’s home town must not only grow, but grow more rapidly in population and economic, political, and cultural influence than nearby or distant competitors” (139). Although this rapid growth did not improve the quality of urban life in the mid-19th century, the ideological shift from scarcity-based policy to the growth paradigm became fully entrenched in American institutions.

Today, the growth fetish established by this historical trend and codified by the ideology of economics remains a centerpiece of American public policy. In an influential article, Logan and Molotch (1996) argue that a suite of institutions operating at the municipal scale – business groups, government, organized labor, media, utilities, and cultural institutions – implicitly collaborate to promote a growth agenda in the vast majority of American cities. This “growth machine” advocates expansion in land development, population, and industry to enrich elite members of these institutions, providing a common goal for groups normally at odds over public policy. The authors argue that elite entrepreneurs personally invested in economic expansion often have a

disproportionate influence over the fate of local municipalities, and these “elites use their growth consensus to eliminate any alternative vision of the purpose of local government or the meaning of community” (292). Once begun, economic growth becomes a self-sustaining feedback process, and often the institutional policies of governments and corporations not only encourage growth but depend on it for their continued success (Ayres 1998; Jonas 1999).

The growth paradigm is equally crucial in mainstream approaches to urban planning, even many focused on sustainable urban development. The “New Urbanist” planning movement, which explicitly recognizes the environmental, social and economic costs of low-density suburban growth, advocates for higher density, infill development rather than abandon the growth paradigm altogether. Under the precept that “growth is inevitable,” these smart growth advocates argue that “the first step of effective long-term planning is to admit that growth will occur, and the second step is to focus on its quality” (Duany et al. 2010, 1, sec. 1.1). Other planning approaches that more specifically attempt to reconcile the environmental, economic, and social goals of sustainable development similarly admit that continued growth is of paramount concern to planners (Campbell 1996). Only a few commentators recognize that “the planning profession has a bias towards growth” and pinpoint the “fallibility of the myth of endless growth” as a significant issue in modern urban planning practice (Hollander 2011, 13, 19). The emergent notion of “smart decline,” a planning regime for de-industrializing cities experiencing population decline and vacant land issues, represents one of the few planning approaches not predicated upon the growth paradigm (Schilling and Logan 2008).

Growth and Sustainable Development

Although the growth paradigm pervades much of the sustainable development discourse, either implicitly or explicitly, there is an undercurrent of thought that directly challenges the need for endless growth. Most arguments point to the fundamental disconnect between a finite world with limited energy and material resources and an economic system that thrives on ever-increased resource use (Georgescu-Roegen 1971; Daly 1999). Ayres (1998) notes that a large proportion of increasing labor productivity since the 18th century has been due to fossil fuel use alone, and wonders whether increases in productivity can continue when the world inevitably reaches resource limits in the next 100 years. Yet perhaps a deeper issue with the growth paradigm revolves around the ways in which economic growth thrives in a positive feedback loop, where growth in certain industrial sectors becomes the very impetus for further investment and growth. “Increased demand for goods and services drives production to a larger scale. Economies of experience and scale in manufacturing then result in lower costs. In a competitive market, lower costs will be translated into lower prices to consumers. Lower prices, in turn, generate increased demand for those goods and services because people can afford to buy more” (Ayres 1998, 102).

The field of ecological economics was formulated to address these fundamental structural problems and provide an alternative to growth-obsessed economics (Daly and Farley 2003). This approach explicitly trains attention on the marginal utility of growth and biophysical limits to economic expansion – two topics ignored by conventional economics. As the following sections summarize, ecological economics provides a

theoretical foundation for conceiving a world of continued economic success without aggregate economic expansion.

Steady-state Economics and Sustainable Development

The fundamental difference between neoclassical and ecological economics lies in the context of analysis (Daly and Farley 2003). Neoclassical economics uses only the human macroeconomy as the unit of analysis, and it implicitly assumes that the earth is an open system, both giving and taking energy from a larger, boundless universe. Ecological economics subsumes the macroeconomy within the Earth's finite natural systems, and views the world as a closed system (except for solar energy) where technological progress is not enough to transcend biophysical limits. The difference in these theoretical starting points is huge because, if the earth is a closed system, it implies both resource scarcity and certain opportunity costs for economic choices promoting continued growth. In this view, it is probable that "at some point the further growth of the macroeconomy could cost us more than it is worth," leading to a state of "uneconomic growth" (Daly and Farley 2003, 16). Essentially, ecological economics applies a concept from microeconomics – "optimal scale" – to the macroeconomy at large. This entails analyzing the costs and benefits of increasing the aggregate scale of economic production or consumption, and determining the optimal point at which the marginal costs of economic growth have equaled the marginal benefits (Daly and Farley 2003).

A "steady-state economy at optimal scale" is the end goal of the ecological economics vision (Daly and Farley 2003, 23). A steady-state economy represents an economic system in which the optimal scale of resource use is pursued relative to finite

natural resources and the regenerative capacity of ecosystems, allowing for long-term sustainability. Although ideas of steady-state economic activity are currently dismissed by the mainstream of economic thinking, it is interesting to note that John Stuart Mill, one of the forefathers of modern economic thought, adhered to a similar ideal. Noting that happiness is the ultimate end of economic pursuits, Mill hypothesized a “stationary state” economy in which economic success was attainable through improvements in technology and ethics rather than growth in population and resource use (Daly and Farley 2003). This ideal of “qualitative improvement without quantitative increase” (Daly and Farley 2003, 3) represents the foundation of ecological economics’ vision of sustainable development.

Ultimately, ecological economics does not abandon the growth paradigm altogether in the face of natural limits, but instead advocates for a different, more sustainable form of economic advancement. The difference is emphasized between economic growth (quantitative increase in the economic “throughput” of energy, material, and land resources, leading to an aggregate increase in the physical scale of the economy) and economic development (“qualitative improvement in the structure, design and composition of the physical stocks of wealth that results from greater knowledge, both of technique and of purpose”) (Daly 1999, 6). Like Mill, ecological economists envision a future of economic progress based on the development of knowledge and social synergies, not upon the continued depletion of natural systems. Some authors are leery of this distinction, noting that the Brundtland Commission does not seem to conceptually separate growth and development, and that the notion of “sustainable growth” is an oxymoron (Van der Leeuw and Aschan-Leygonie 2000). To some,

development will always imply some form of growth, and inserting the limits-inspired descriptor “sustainable” may be a contradiction in terms (Thomas and Furuseth 1997). The theoretical difference between quantitative growth and qualitative development, however, is increasingly accepted among sustainability theorists searching for ways to adhere to the growth paradigm without destroying the earth in the process.

Dematerialization

To some sustainable development theorists, a key strategy for enacting the shift from growth to development involves the “dematerialization” of goods and economic value. Ayres (1998, 68) argues that “it is theoretically possible to have economic growth – in the sense of providing better *and more valuable* services to ultimate consumers – without necessarily consuming more physical resources.” This process would involve simultaneously increasing the productivity of recycled natural resources and “de-linking economic activity from energy and materials.” Ayres (1998, 154) goes on to argue that “there is, in principle, no theoretical maximum to the quantity of final services – that is, economic welfare in the traditional sense – that can be produced within the market framework from a given physical resource input.” Other authors are critical of the dematerialization ideal, arguing that at best it is “just an extravagant term for increasing resource productivity” (Daly 1996, 28), and at worst it is physically impossible under the strictures of entropy production under the Second Law (Georgescu-Roegen 1971; Daly 1999). These detractors emphasize that there will always be a need for a minimum amount of physical energy and matter to sustain human life. Although many ecologists emphasize that ecosystems can approach perfect, 100% recycling of materials, ecological

economists are suspicious that this is doable in socio-economic systems (Georgescu-Roegen 1971).

Yet advocates of this relatively radical position within economics emphasize that economic value is not predicated upon energy content or some other inherent property of material goods, but rather upon the production of “welfare, quality of life, utility, or whatever else we choose to call this psychic flux of satisfaction” (Daly and Farley 2003, 63). Despite real physical limits, economic value can continue to grow indefinitely if humans can find increasingly non-material or recyclable ways of self-defining utility and achieving satisfaction.

Dematerialization theorists often point to the emergent “information economy” as the means for redefining value (Daly 1996), but a number of theorists have transcended this popular focus on technology-driven, knowledge-based economies to look at the role of human culture in producing economic value. Georgescu-Roegen (1971, 18) was one of the first economists to explicitly note “the role of the cultural tradition in the economic process,” and since then other researchers have studied the interplay between cultural production and economic value in more detail. Scott (2000) observes how “culture-producing sectors are now moving to the very forefront of capitalist development and growth” (204) as capitalism moves “into a phase in which the cultural forms and meanings of its outputs are becoming critical if not dominating elements of productive strategy” (2). A growing proliferation of place-specific subcultures represents the source of cultural products underlying this type of economic growth. These cultures contextually define the economic value of cultural products, which “function at least in part as personal ornaments, modes of social display, forms of entertainment and distraction, or

sources of information and self-awareness, i.e. as artifacts whose symbolic value to the consumer is high relative to their practical purposes (cf. Bourdieu 1971)” (Scott 2000, 3).

It is this ability to self-consciously create symbolic value divorced from practical, material-oriented value that holds the most promise for dematerialization strategies. Storper (1997, 249) uses the term “reflexive urban consumption” to describe the process by which “individuals in their roles as consumers, workers, and citizens are now critically reflexive, generating an enormous variety of new consumer tastes, worker capacities and creativities, and citizen demands and reactions.” Like Scott, Storper views these types of consumer reflexivity and specialized consumption habits as rooted in the ways that geographical regions develop cultural specificity in conjunction with growing globalized linkages. “[As a] curious mixture of the very cosmopolitan and the local...distinctive reflexive cultures – youth, ethnic, gender-based, social-movement- or lifestyle-based – are big inputs into the bottom-up aspect of spectacle creation and the forms of aestheticization to which it gives rise. The commercial recuperation and packaging (representation) of the experiences generated by these cultures, in goods but also in spectacles (which in turn sell goods), are major parts of the urban economy today” (Storper 1997, 251).

Both authors argue that, despite the influences of globalized culture, true cultural production is geographically specific, rooted in localized social networks, institutional rules, and cultural norms. At its essence, the complexity of modern economy arises from nothing more than a “pure social construct” (Scott 2000, 18). Not only does this suggest place-based strategies for pursuing dematerialized development, but it also implies that the emerging social consciousness of sustainability ethics could provide a pathway

towards sustainable development. A cultural ethic of sustainability already exists in institutional programs promoting resource efficiency and recycling, and it could be strengthened by a shift towards the corporate sale of “services” – products in which lifetime maintenance and recycling are built into the cost – instead of stand-alone, disposable products (Ayres 1998; Hawken et al. 1999; McDonough and Braungart 2009). In this type of “service and flow economy,” industrial producers would be discouraged from marketing inherently wasteful products with “built-in obsolescence,” instead replacing them with ongoing service relationships between producers and consumers (McDonough and Braungart 2009, 28) where “both producer and customer have an incentive for continuously improving resource productivity” (Hawken et al. 1999, 18). A focus on the cultural production of economic value, furthermore, suggests that a cultural ethic of sustainability can not only promote resource efficiency in existing products and services. This ethic itself can also generate novel, eco-friendly types of economic value by becoming a “market segment” itself, generating jobs and economic growth simply because consumers demand a more involved, eco-friendly production process.

Three Dimensions of Growth

To elaborate upon the conceptual tensions between growth and development, three interrelated dimensions of the growth process are proposed below. This theoretical distinction is inspired not only by ecological economics’ separation of quantitative growth and qualitative development, but also by dissipative systems’ and adaptive cycle growth, where expansive r species are replaced by the innovative and mutually dependent development strategies of the K phase. The three dimensions of growth are:

1. Scalar growth (aggregate physical expansion in population and the use of energy, materials, and land)
2. Efficient development (improvement in the integrative operating of an existing system to accomplish the same function at lower energetic cost)
3. Novel development (increase in the overall number, differentiation, and specialization of a system's parts – its complexity).

All three dimensions of the growth process are intertwined in practice, and can be either mutually supportive or in conflict. For example, in mature ecosystems entering the *K* phase, specialized niche species representing novel development can function in symbiotic relationships to simultaneously increase ecological productivity at large; by the late *K* phase, however, dominant, established species that maximize efficiency of energy use can stifle new innovations and lead to a resilience paradox.

The following sections summarize different disciplinary conceptions of development. They draw upon this tripartite framework – although highly theoretical – to illuminate commonalities underlying all forms of development, and to show the ways in which these different conceptions have been merged in a new conception of sustainable urban development.

Disciplinary Conceptions of Development

The modern-day concept of development is fractured into a variety of disciplinary perspectives. Ecologists, social theorists, economic geographers, planners, and real estate professionals all approach the concept from drastically different angles. Yet when thinking about economic development more generally, most modern observers seem to

focus on one driver in particular: the role of technological innovation. When studying human history and the rise of civilization, technological progress helps delineate important eras in our collective development, such as the technologies undergirding the Iron Age or the Agricultural Revolution. The Enlightenment is widely cited as a crucial turning point because the synergy between innovation and development became culturally codified in a secular shift towards science, triggering “a feedback loop of continuous technical innovation and transformation” culminating in the fast-paced innovation of the Industrial Revolution (Rich 1994, 201). To many modern policymakers and economists, technological innovation inspired by ever-increasing stocks of human knowledge is now virtually synonymous with economic development (Storper 1997; Ayres 1998). Yet this ideological pairing of development and technology is itself a relatively new innovation in human history (Rich 1994). Ayres (1998, 22) notes that “the perception that tangible wealth can be created by labor, savings, investment, trade – and especially by technological progress – is relatively recent,” and argues that while technology surely contributes to economic growth, “the connections remain obscure.”

When theorizing sustainable development, the value of technological innovation becomes even more unclear because it is at once a primary contributor to sustainability problems (e.g., combustion engines predicated upon finite mineral resources and pollution; Beard and Lozada 1999) and a possible savior (e.g., photovoltaic energy generation; Fitzgerald 2010). Considering how the three dimensions of the growth process impact sustainable development, it is clear that technology can augment both quantitative growth and qualitative development. For example, automotive technology clearly generated scalar growth (increased production of oil, rubber, metals, asphalt, etc.),

efficient development (drastic increase in human mobility and transport efficiency), and novel development (new specialized industries related to specific resources, automotive parts, and car culture). Thus in the following review of development theories, technological development is not included because it is seen to pervade and augment many different types of development. Technology facilitates development, but it is not defined as a primary driver here because ultimately, humans define economic value and development outcomes in subjective, contextual, and sometimes dematerialized terms.

Ecological Development

As summarized earlier, the adaptive cycle concept implies that ecological development is accomplished through cycles of growth and decline that represent the fundamental building blocks of evolutionary selection (Walker and Salt 2006). Complex ecosystems represent not one but many nested cycles, operating at different spatial and temporal scales to mutually reinforce or contradict one another as species compete for energy and the ability to develop (Holling and Gunderson 2002). The shift from the *r* phase (rapid growth, exploitation of unused energy) to the *K* phase (complex development, conservation of scarce energy) directly relates to the three dimensions of the growth process since it implies a shift from scalar growth towards novel and efficient development in tandem. As Odum (2007, 54) summarizes, “the later, more complex ecosystem...puts its energy into sustaining larger structures and relationships instead of growth.”

The “far-from-equilibrium” notion of ecological development is inherently open-ended, based implicitly on the idea that ecosystems have almost unlimited potential for

further growth in complexity. In fact, many normative ethics of ecosystem health and development are framed in terms of maximizing a system's latent potential for increased diversity and complex function (Albrecht 2001; Schlosberg 2007; O'Neill et al. 2008). The protection of ecosystem biodiversity has become a central goal of sustainable development policy in large part because it seems to go hand-in-hand with this approach. Yet to a new generation of environmental philosophers, enabling biodiversity is not simply a matter of static conservation. Complex adaptive systems imply a lack of equilibrium, and these theorists view biodiversity as an actively evolving trait, where existing biodiversity provides a foundation for future innovations. Ecosystems can flourish only if they possess an open-ended flexibility to pursue their hypothetical potential for energy dissipation. Thus "to maintain biodiversity is to maintain the capacity of a system to issue in diversity rather than its actual diversity at a given point in time" (O'Neill et al. 2008, 169), and biodiversity management practices that simply conserve existing diversity, perhaps at the expense of future development, are misguided. Ultimately, the key concept in these ideals of ecological development is potential – a concept that is central to theories of human development as well.

Human Development

"Meeting essential needs depends in part on achieving full growth potential, and sustainable development clearly requires economic growth in places where such needs are not being met" (WCED 1987, sec. 2.6). As the Brundtland Report indicates, sustainable development discourse has long been intertwined with the ideal of human and social potential. Yet ethical frameworks founded on the achievement of latent human

potential are as old as philosophy itself, and are supported by a variety of writers, such as Aristotle, Hegel, and the contemporary philosopher Bookchin (Albrecht 2001). Some contemporary views of economic development similarly see growth emerging from the latent human potential for specialized economic activity (Perelman 2000).

Concepts of social and environmental justice have long been foundational ideals in ethical philosophy. Distributive justice refers to fairness in the allocation of benefits or distribution of harms, while procedural justice describes fairness in the institutional processes that lead to distributive policies (Boone 2008). Justice and social equity have been linked with notions of sustainability ever since the Brundtland Report, but the link has been theoretically tenuous because it seems to insert a normative philosophy into a discipline that can, in theory, be measured in physical terms like ecosystem protection and resource longevity. When attempting to meet current and future human needs without destroying the natural systems that support human life, authoritarian systems lacking social justice could conceivably perform better than capitalist democratic societies with established justice systems. Noting the ways in which sustainable development discourse in practice tends to privilege economic growth goals over social justice, Harvey (1997) warns that the social and environmental justice movements should remain conceptually separate from sustainability so that their ethical goals will not be compromised.

When social justice and equity are conceptually linked with the actualization of human potential, however, the role of social equity in sustainable development becomes clearer and more objective. Young's (1990) seminal philosophy of social justice represents the best articulated argument for associating justice with the development of human potential. Young argues that justice "is not identical with the good life as such.

Rather, social justice concerns the degree to which a society contains and supports the institutional conditions necessary for the realization of [the good life].” To her, the good life involves the development and exercise of individual capacities to function as well as the active ability to function. Injustice arises through oppression, “the institutional constraint on self-development,” and domination, “the institutional constraint on self-determination” (37). Thus she proposes “an enabling conception of justice” that transcends both distributive and procedural notions, where “justice should refer not only to distribution, but also to the institutional conditions necessary for the development and exercise of individual capacities and collective communication and cooperation” (39). Young continues on to argue for a democratic system of justice that can not only protect the group differentiation that arises inevitably in modern society, but actively encourages future differentiation in identities and cultures. This impulse to protect and enable diversity shares much in common with ideals of ecological development, and both are grounded in the idea that an ethical framework encouraging the actualization of potential can lead to tangible development outcomes.

Thus the impoverishment of people and communities impacts sustainable development in multiple ways. Poor communities unjustly ensnared in worldwide economic systems characterized by extreme income inequality represent a sustainability problem because they are often forced to use the natural capital of ecosystems at a faster rate than such capital can be regenerated (WCED 1987). Yet poverty simultaneously tends to prevent the development of human potential for economic expansion as well as for advancing environmental sustainability. “As people spend more time meeting their basic survival needs for food, for example, they have less energy to pursue education and

other opportunities. Inadequate nutrition and education, in turn, can impact health and social relations...Fostering self-esteem and providing outlets for actualization of creative abilities and actions motivated by a person's sense of place provide some of the greatest opportunities to enhance ecosystem stewardship" (Kofinas and Chapin 2009, 59, 62). Echoing the conclusions of Young as well as of environmental ethicists, some authors advocate for promoting cultural diversity through social justice, equating diversity with resilience against sustainability problems. To some, "cultural diversity provides a range of perspectives and approaches to addressing problems" (Kofinas and Chapin 2009, 69). Just democratic processes which include a diversity of perspectives, especially from marginalized groups, can enhance "the resilience of societies, providing a wider range of solutions and responses to challenges and change" (Newman and Jennings 2008, 156).

The theoretical framework of "capital" development represents a widely used, interdisciplinary tool for envisioning the actualization of human potential and connecting it with other forms of social, political, ecological and economic development (Hawken et al. 1999). "Human capital" refers to the education, knowledge, and practical skills held by individuals that have economic value (Lin 2001). "Social capital" is a more nebulous concept, referring to both the specific benefits gained through social connections as well as the general benefits of cohesive communities with informal social norms (Woolcock and Narayan 2000; Halpern 2005). The first, "networks-based" conception of social capital indicates that individuals tap into economic value not only by developing their own human capital, but also by leveraging the human capital of others through social networks. Network-based social capital represents "resources accessible through social connections. Social capital contains resources (e. g., wealth, power, and reputation, as

well as social networks) of other individual actors to whom an individual actor can gain access through direct or indirect social ties” (Lin 2001, 43). In the second sense of the term, social capital also represents the social norms and values that provide the cultural foundation for trusting relationships and the network-based sharing of capital resources (Halpern 2005). Conceived as “generalized reciprocity” (Putnam 2000) or a “radius of trust” (Fukuyama 2001), norm-based social capital is equally critical for the community-based generation of human development.

A number of economists have tied the generation of human and social capital to tangible economic development outcomes. Most of these conceptions focus on the importance of social norms like generalized reciprocity for lowering the transaction costs of socio-economic processes, especially in complex societies with large bureaucracies and legal systems (Woolcock and Narayan 2000; Fukuyama 2001; Glaeser et al. 2002). In fact, social capital is seen as a critical source of efficient development as the scale and complexity of modern societies inevitably increases.

Various social practices, values, and institutions are held to serve the purpose of lowering transactions costs of interaction between agents. As a result, norms of generalized reciprocity emerge between agents, what we might loosely term social trust. Such social trust facilitates coordination, communication, and thus resolves dilemmas surrounding collective action, reducing the incentives for opportunism (free riding). The consequence is greater certainty in transactions, making possible not only a more extensive array of social and economic activity, but allowing for more complex forms of organization to emerge, forms capable of

acting in contexts that require economies of scale, or long time horizons.

(Fedderke et al. 1999, 711-712)

The capitals framework and justice-based conceptions of human potential merge in the “capabilities approach” to international human development. First developed by Sen (1985), and explicitly merged with social justice theory by Nussbaum (Schlosberg 2007), this approach has attempted to shift the mainstream of international development policy away from industrial placement or physical capital improvements towards the enrichment of individual functionings and an increase in people’s capability to self-generate economic value. At the core of this approach, the “asset pentagon” presents five types of capital needed in balance for sustainable community development: natural, social, human, physical, and financial (DFID 1999). In turn, locales seen to possess a balanced stock of these capitals are viewed as more resilient in the face of disasters, both in terms of community development (Magis 2010) and the resilience of social-ecological systems (Kofinas and Chapin 2009). Thus the promotion of sustainable livelihoods is emphasized as an open-ended goal, where the ongoing actualization of human potential is not limited and provides increasing levels of flexibility to solve future problems. When married to a strong emphasis on social justice, which can ensure the institutional conditions necessary to actively promote human capabilities, potential-based notions of human and social capital can be powerful tools in the promotion of both novel and efficient economic development.

Regional Economic Development

One of the most common uses of the term “development” is in reference to the economic development of commercial industry. Although economic production can happen anywhere, a long-standing theoretical tradition has linked the formation of dense, diverse cities in human history to the fundamental drivers of industrial growth. On one hand, associating urbanization with economic success rests on the simple notion that localized human activity can produce efficiencies of coordination. In an overview of the evolution of urban societies, Leeds (1980) argues that the localization of people and goods leads to a positive feedback loop of needs, service agglomeration, and production – critical ingredients for an expanding division of labor and socio-economic complexity. He writes, “in other words, it is easier to get things done and the outcomes are more certain when people are close together, a truth for all human societies” (Leeds 1980, 7). Other authors argue that the urban role in economic growth is even more dynamic because these agglomerations provide a perfect foundation for the innovation and cultural development at the core of novel economic development (Jacobs 1969; Newman and Jennings 2008; Glaeser 2011). Yet although the view of cities as “engines of innovation” (Glaeser 2011) is widespread, others caution that the link between urbanized population growth and economic growth is not established and there may be diminishing marginal returns after cities reach certain thresholds of size (Bloom et al. 2008). The following section reviews these approaches to regional economic development and illuminates the ways that both novel and efficient economic development is encouraged by place-based urban activity.

The most pivotal theorist linking cities to economic development is Jane Jacobs, who over forty years expounded a dynamic philosophy of urban economies. In her initial,

most famous work, Jacobs (1961) proposed a number of famous urban design prescriptions aimed at fostering dense, diverse urban environments. Citing “multiplicity of choice” as the primary function of cities, she envisioned cities of short blocks, architectural diversity, land rent diversity, and density that could support and promote economic complexity. The preservation of existing diversity in the built environment is critical for development, she argued, because “city diversity itself permits and stimulates more diversity” (190). The sense that cities need to actively grow and build the capacity for future growth to be successful, rather than “rest on their laurels,” pervades the book and provides a conceptual linkage to dynamic conceptions of ecological and human development. Cities must promote vibrant walkable urbanism because “lively, diverse, intense cities contain the seeds of their own regeneration, with energy enough to carry over for problems and needs outside themselves” (585).

To the disappointment of her planning-based disciples, Jacobs’ subsequent works (1969,1984) proved that her interest resided less in city planning than in understanding the generation of novel urban economic development. Her fundamental observation is that economic development must be conceived as a process that generates novel goods and services from existing processes – “new work” derived from “old work” – instead of traditional economic foci on the efficiency of business, supply and demand, and scale-based growth. This process of innovation builds upon existing urban economic institutions, and it forms the backbone of her definition of cities as any “places where adding new work to older work proceeds vigorously.” (1969, 50). Jacobs views the division of labor in society as an evolving institution, growing in complexity, and criticizes Adam Smith’s static focus on division of labor in reference to corporate

efficiency alone (1969). She advocates an “epigenesis” theory of cities, where “a city grows by a process of gradual diversification and differentiation of its economy” (1969, 129) rather than the “preformation” ideal inherent to top-down urban planning approaches.

When theorizing economic development at the regional scale, Jacobs emphasizes a crucial point: while cities do encourage innovative products and “new work,” any type of new production in a specific locale – whether new to the world at large or not – represents a form of novel economic development. Jacobs (1969) addresses this regional scale innovation by focusing on the “import-replacement process.” Import-replacement, whereby local businesses arise to produce items formerly imported, represents *the* critical moment of economic development to Jacobs. Although exports-based jobs can support multiple local jobs and exert an outsized influence on a local economy, truly explosive city growth is derived from the “import-replacement multiplier effect” – where the local economy, having collected enough human and social capital to make products previously imported, is able to locally circulate a much larger degree of wealth in a beneficent feedback loop of production and consumption.

Thus to Jacobs, the point of import replacement represents the moment of novel economic development, and is the only process that represents both local and universal economic development. She uses the example of the Tokyo bicycle industry, which emerged after World War II to replace foreign imports of bicycles. “As far as the rest of the world was concerned, its total economic activity had neither diminished nor increased because Tokyo was making its own bicycles. But the economy of Tokyo itself had expanded, and thus the total of all economic activity in the world had expanded” (1969,

148). Here, it seems that all three dimensions of the growth process are intertwined: the place-based innovation in bicycle design, derived from the accumulation of local human capital; the efficiencies of local industrial agglomeration; and the ultimately scalar growth represented by an expanded world economy. As Jacobs (1984, 39) observes, “Economic life develops by grace of innovating; it expands by grace of import-replacing.”

Modern economic thinkers have applied and validated many of Jacobs’ theories about urban economies. The synergies of innovation promoted by cities are now described as knowledge-based agglomeration economies, and so-called “knowledge spillovers” – which describe how productive information spreads informally amongst people and industries in dense, diverse cities and can trigger new innovations – are seen as critical to modern economic development in the 21st century information-based economy (Glaeser et al. 1992; Storper and Manville 2006). Easterly (2002) similarly trains attention on the social benefits of such spillovers, noting that unlike physical capital improvements which depreciate over time, the growth and spread of knowledge does not have to be a scarce, fixed resource and can universally increase the productivity of an economy. Describing these inter-firm information leakages as “technological externalities,” Glaeser et al. (1992) find evidence to support Jacobs’ theories by studying the growth of specific industries relative to city size and diversity. The authors state that “these theories of dynamic externalities are extremely appealing because they try to explain simultaneously how cities form and why they grow” (1128).

Some economic thinkers emphasize the ways in which agglomeration economies generate efficient economic development born from close proximity. Agglomeration is

seen to increase efficiency in three ways: lower costs of market exchange between industries; higher rates of information and capital exchange between industries; and lower transaction costs between people and firms due to place-based social capital (Scott 2000). These efficiencies are magnified by the concept of “complementary skills:” the idea that workers with specific skill sets have an economic incentive to work with similarly skilled people, because productivity, end products, and payoffs will be better (Easterly 2002). Florida (2008, 9) summarizes these effects as the “clustering force,” arguing that “the real source of economic growth comes from the clustering and concentration of talented and productive people...the clustering force makes each of us more productive, which in turn makes the places we inhabit much more productive, generating great increases in output and wealth.” Studies of the computer industry in California and India confirm the importance of urban agglomeration, even in the industry best positioned to shift to decentralized, telecommunications-based work; researchers argue that social capital born from proximate, face-to-face contact is still essential in the business world (Glaeser 2011).

Yet despite the efficiencies of agglomeration, many authors place even greater emphasis on the open-ended ability for diverse regional economies to generate novel innovations, products, institutions, and cultures. Once agglomerations reach a critical mass, they promote “a deepening and widening of the social division of labor leading to economic diversification and increased industrial synergies” (Scott 2000, 21). Echoing Jacobs, urban regions are increasingly seen less as the sites of economic activity guided by globalized market forces, and more as active generators of unique economic development due to region-specific human and social capital (Storper 1997).

In the geography of production, we now know that activities based on standardized technologies that permit economies of scale inside the firm can delocalize, while those based on nonstandardized technologies and economies of variety tend to locate in agglomerations...It now appears that development, at least in wealthy countries and regions, depends, at least in part, on *destandardization* and the *generation of variety*...In sum, the essence of the process of technological change is now the tissue of relations by which asymmetric, noncosmopolitan knowledge is generated, applied, and further evolved. The increase in variety is the result of the operation of these relations, in an economic environment radically different from that defined by orthodox [economic] theory. (Storper 1997, 32-34)

As noted above, this perspective on the economic world clashes to some extent with classical economic theory, which is overly concerned with efficiency at the expense of understanding novel development. This is the static economic vision criticized by Jacobs, one which does not address how economic growth starts in the first place.

One difficulty is that one of the most interesting generators of change—preference formation—is left outside the scope of urban [economic] analysis, making it backward-looking and accounting-oriented rather than forward-looking in a way that would make it useful to urban policy...But economics, as Lionel Robbins once pointed out, is concerned primarily with efficiency based on a set of given ends. Traditionally, it has had little interest in how preferences form...Therein lies the problem, for it is the formation and alteration of

preferences that drive the transformations we call resurgence. (Storper and Manville 2006, 1261-1262)

Furthermore, the growing importance of service-based economies in parallel to information-based industries has led to a heightened emphasis on place-specific cultural amenities. Despite mainstream proclamations that globalization is eroding the unique advantages of place, a growing number of theorists note the allure of vibrant, interesting, and liveable cities for a new class of urban professional (Florida 2008; Glaeser 2011). City leaders increasingly compete with one another for new industries not through tax breaks or other financial incentives, but rather by offering an attractive quality of life and a diversity of consumption opportunities for their employees (Gibbs and Krueger 2007).

Thus it seems that agglomeration economies thrive based on not only the emplaced nature of human and social capital, but also from the development of specialized forms of consumption predicated upon place-based culture. Regional economic development through agglomeration involves both novel and efficient development: novelty through the emplaced cultural production of new types of economic value, from both innovation and import-replacement; and efficiency through the exchange-based synergies of density and proximity, both between firms and amongst the skills of workers. The essence of regional development is that “place, culture, and economy are symbiotic on one another” (Scott 2000, 4).

Land Development

The efficiencies created by dense urban agglomeration, critical for enabling social capital and inter-firm spillovers, are directly predicated upon the physical capital of the

built environment (Newman and Jennings 2008). Physical capital can also play a critical role in the metabolic efficiency of urban areas, especially as an increasing number of sustainability-oriented policymakers focus on the twin goals of protecting natural ecosystems and conserving energy and material resources. Noting the chronic inefficiencies associated with dominance of low-density, sprawling suburban land development over the past 60 years – in terms of road and utility infrastructure, fossil fuel use and social fragmentation – many sustainability theorists cogently argue for increasing the density of the urban built environment (Sorensen et al. 2004). Urban density is seen to have multiple reinforcing sustainability benefits: it can maximize efficiencies of resource use and transport by better using existing infrastructure (Chapin et al. 2009) while reducing carbon emissions and the destruction of ecosystems on the urbanizing fringe (Glaeser 2011) and stemming the erosion of social capital and community development (Kunstler 1996; Newman and Jennings 2008). In some ways, dense land development can be viewed as the flipside of ecological development, since both can be encouraged simultaneously (Duany et al. 2010; Glaeser 2011). Yet others are cognizant that when advocated apart from the political economic structure of cities, a focus on density can generate other sustainability problems related to social equity, gentrification, and housing affordability (for example, in Vancouver, often lauded under the “sustainability-as-density” ideal: McCarthy 2011; Quastel et al. 2012).

The sub-discipline of New Urbanism and smart growth within urban planning, inspired by the formative work of Jacobs (1961), has developed a comprehensive approach to land development aimed at encouraging dense urban synergies. At the heart of smart growth theory lies the “Transect,” a theoretical template for urban

redevelopment that establishes zones of increasing physical and population density, culminating in high-density urban cores (Duany et al. 2010). Unregulated suburban development is channeled into these zones, sometimes through public policies that incentivize the transfer the development rights of peripheral farmland into specific infill development projects through easements (Boone and Modarres 2006). Development within transect zones is organized into neighborhoods with distinct, vibrant centers well-served by public transportation lines and a host of urban services supported by a critical mass of population within close walking distance. Mixed-use buildings and diverse economies are encouraged through form-based zoning, where buildings are designed for flexible, shifting uses rather than for a fixed purpose. A diversity of housing options is encouraged by both the transect and form-based codes, hopefully (but often not in practice) encouraging a range of income levels and cultures amongst residents. A primary intent of smart growth planning is to build attractive, engaging urban environments that encourage a walking- or biking-based lifestyle. This is accomplished through streetscape codes that encourage short setbacks, front porches, short blocks, and improved sidewalks as well as by centrally planned plazas and green spaces (Duany et al. 2010). As Talen (2005, 3) notes, smart growth principles have arisen from longer-term efforts in American urban planning to encourage “diversity, equity, community, connectivity, and the importance of civic and public space.”

For municipal policymakers attempting to reign in suburban sprawl, “transit-oriented development” (TOD) often becomes the catchword for the practical implementation of smart growth planning. TOD involves building nodes of density around new or existing transit stations to take advantage of the efficiencies of proximity.

“Successful TOD needs to be mixed-use, walkable, location-efficient development that balances the need for sufficient density to support convenient transit service with the scale of the adjacent community” (Dittmar et al. 2004, 4). The concept of “value capture” is central to the appeal of TOD; it describes the way that rail systems naturally enhance the value of adjacent land due to newfound transport efficiency, and how nearby real estate development can capture this value (Dittmar and Poticha 2004). “Place-making” is equally central to TOD strategies, and most advocate for vibrant and diverse, mixed commercial and residential environments surrounding transit stations where the pedestrian experience is emphasized (Dittmar and Poticha 2004; Greenberg 2004). Although most of the TOD literature emphasizes the potential for economic growth based on increased efficiencies, these types of vibrant urban centers also represent the building blocks of the urban agglomerations that encourage cultural production and economic innovation (especially if the cost savings of location efficiency are spent in local economies, e.g. Newman et al. 2009).

Smart growth and TOD planning are closely aligned with sustainability goals. TOD can encourage more resilient urban transportation networks by establishing a wider array of multi-modal transit options (walking, biking, rail, bus, etc.), making regions less dependent on auto transport alone. Transit diversity can simultaneously lead to faster transit systems that produce fewer carbon emissions, since “studies show that higher-density development results in lower greenhouse gas emissions from transport” (Newman et al. 2009, 18) When paired with emerging green building principles, dense built environments alone can reduce ecological footprints and carbon reduction – especially important since buildings produce 43% of worldwide carbon emissions and consume

48% of worldwide energy (Newman et al. 2009). Smart growth also holds the promise of encouraging more cohesive, mutually supportive residential communities, although the causality between physical environment and social outcomes is highly contested in the literature (Talen 1999). By encouraging diverse urban environments, smart growth is seen by some as a vehicle for both psychological and economic development, under the notion that geographic exposure to difference can enable understanding, tolerance, and socio-economic equity (Sennett 1990; Fainstein 2005; Stanley 2009). As Talen (2006b, 239) summarizes, “the social equity dimension of place diversity involves two notions. First is the idea that social mixing in one place is more equitable because it ensures better access to resources for all social groups—it nurtures what is known as the “geography of opportunity.” In the second sense, diversity is seen as an utopian ideal— that mixing population groups is the ultimate basis of a better, more creative, more tolerant, more peaceful and stable world.” In fact, one study indicates a positive correlation between walkable, mixed-use urbanism and the formation of social capital, although such studies are inevitably prone to residents’ selection bias (Leyden 2003). Similarly, the widely cited notion of “eyes on the street” represents just one of the ways that healthy urbanism can create positive externalities that decrease the need for formal, costly public control over neighborhoods (Jacobs 1961). Yet others warn that a deterministic relationship between physical and social capital is hard to prove and extremely difficult to promote when redeveloping communities already divided along class and ethnic lines – especially given the high cost of new infill construction (Talen 2006b).

Smart growth advocates are often especially insistent on the need for new growth in deindustrializing cities experiencing population loss and urban decline. “If there is any

frontier left in America today, it probably exists in the vast amounts of underutilized, reclaimable real estate of our towns and cities...Great swaths of inner Detroit, Cleveland, and St. Louis consist of empty, rubble-strewn lots...These vacant wards beg redevelopment and present tremendous business opportunities” (Kunstler 1996, 56). A vocal minority of urban planners, however, specifically reject smart growth-based solutions to vacant land problems, instead advocating for “smart decline” (Schilling and Logan 2008; Hollander 2011). While community gardening and urban agriculture has already been established as a cultural trend in many cities (Schmelzkopf 1995; Sanders 2010), smart decline advocates see urban greening and the provision of open space amenities as a critical strategy for squeezing economic and aesthetic value from declining cities (Boone and Modarres 2006; Glaeser 2011). Schilling and Logan (2008, 451) argue that urban greening promises to “revitalize urban environments, empower community residents, and stabilize dysfunctional markets.” They propose specific policy ideas such as the creation of municipal land banks for holding and converting vacant land, and the establishment of community consensus through collaborative neighborhood planning tied to citywide green infrastructure programs. By “right-sizing” declining cities through selective housing demolition, relaxed zoning, and greening, thus adjusting the amount of real estate available for development, planners can stabilize real estate markets plagued by a positive feedback loop of decline. Some authors even suggest a reformulation of the Transect model to allow semi-rural land uses close to central business districts (Schilling and Logan 2008; Hollander 2011).

While smart decline strategies represent a drastic break from the “growth-based paradigm that feeds much of urban planning in North America” (Hollander 2011, 2), they

share a common approach with smart growth: the condensation of human settlement into dense, stable communities that promote both the efficiencies and dynamism of human agglomeration. In fact, as a physical, geographic foundation of socio-economic development, dense land use planning has the potential to enhance all of the other forms of development elaborated above. Ecological development is strengthened when infill development is prioritized and existing, complex natural ecosystems are spared from destruction. Human and social development is augmented when dense, diverse, neighborhood-oriented urban planning promotes social capital, social equity, and community development. Regional economic development is similarly promoted when the physical environment of cities is made more attractive for creative workers, more efficient for industrial agglomeration, and more conducive to knowledge spillovers, technological innovation, and cultural production.

Sustainable Urban Development

The emergent conception of sustainable urban development represents an amalgamation of the various disciplinary conceptions of development presented above. The concept explicitly draws upon notions of ecological growth, human and social capital, regional economic agglomeration, and smart growth to posit a specifically urban scaled approach to encouraging sustainable forms of growth. Yet sustainable urban development is also more than the sum of these parts, and it extends beyond to propose a locally-embedded, place-based, open-ended, and reflexive development process that is transparent and tangible to all participants.

Clearly influenced by the Brundtland Report and subsequent global conferences on sustainability, sustainable urban development emerged as an academic theme in the early 1990s parallel to the rise of New Urbanism and energy efficient architectural practices (Hall 2002). Focus was placed on efficient improvements to the built environment, such as energy efficient construction, TOD, and circular urban metabolism of water and materials (Haughton 1997; Hawken et al. 1999; Hall 2002; McDonough and Braungart 2009). Yet the roots of the contemporary sustainable urban development discourse reach much deeper into history. Focusing on the history of the urban sustainability movement in Seattle, Sanders (2010) traces a sustainability ethic back to the public fight over the proposed redevelopment of Seattle's Pike Place Market – a plan that would have converted a regional marketplace featuring local products into a more commercialized, non-local mall. Environmental and social activists collaborated to defeat the plan, and in the process an ethic of sustainable local production was publically elaborated and championed, perhaps for the first time. This collaboration between environmental and social activists was further strengthened when Seattle became the first participant in the federal Model Cities program, which solicited the direct involvement of neighborhood residents in efforts to revitalize communities in decline. The program, which involved efforts to clean vacant lots, create community gardens, and build locally financed, mixed-use housing, paired civil rights and environmental activists and helped build a diverse political consensus useful for later community development efforts. The Model Cities program generated “an early model of sustainability planning on the grassroots level,” and its “emphasis on self-sufficiency, local economies, better design,

and citizen-determined need would eventually provide the watchwords of grassroots urban revitalization during the 1970s” (80-81).

Built environment and community activist approaches to sustainable urban development have merged together over the past 25 years to promote a “new localism” (Bruyn 1987; Gunn and Gunn 1991; DeFilippis 1999; Hess 2010), “a viewpoint that asserts the efficacy of localities in promoting sustainability” (Krueger and Gibbs 2007, 3). This emergent focus on municipal-scaled development approaches pairs nicely with geographic theories of regional economic agglomeration. Often modern sustainable development initiatives attempt to concurrently promote community controlled sustainability initiatives and high-tech, knowledge-based, region-specific economic development (Gibbs and Krueger 2007).

Local Economies

The promotion of locally-based and locally-controlled economies lies at the heart of sustainable urban development initiatives, and the core of this emphasis emerged from a focus on local food production and consumption. Sanders (2010) traces this emphasis back to Washington State in the early 1970s, where a local food ethic arose based on ideals of bioregional self-sufficiency and concerns about environmental and resource limits. Activists in the environmental collaborative Tilth established a number of decentralized, cooperative farm-based communities to promote the development of “local ‘eco-economies’” in response to an overarching sense of foreboding triggered by the oil crisis and ongoing environmental destruction (138). This new “ecotopian ethic” went beyond environmentalism to emphasize a “whole earth ecology” – closely related to the

steady-state economy ideal – in which people would be more aware of and participatory in relations between food producers and consumers (135-136).

The influence of Tilth and the ecotopian ethic quickly spread to inner-city Seattle, where a movement to create productive community gardens quickly grew in the early 1970s (Sanders 2010). Based on earlier efforts to create urban food cooperatives and protect Pike Place Market as well as the Model Cities program, the community garden movement advanced along two parallel trajectories: one pursuing the ecotopian ideal of self-sufficiency and ecological integrity, mainly based in gentrifying areas of the city; and another born from the civil rights and community activism of the Model Cities program, where gardens were seen as an urban renewal project privileging disadvantaged community members. In fact, community gardens became a common approach to locally generated urban renewal in many cities in that era; for example, community gardens arose in the Lower East Side of Manhattan in the 1970s in response to the city's fiscal crisis, and became a critical site for community organizing and the development of social capital (Schmelzkopf 1995). Today, urban food production and local supply networks remain a critical ingredient in conceptions of sustainable urban development, with notions of ecotopia often replaced by the more pragmatic goal of resilience, and cooperative living arrangements replaced by community supported agriculture clubs (Newman et al. 2009). While smart decline planning surely includes a focus on local food production, even smart growth advocates have begun to envision a space for it in newly designed communities (Newman et al. 2009; Duany et al. 2010).

Local, decentralized energy production is sometimes envisioned in tandem with local food production when theorizing sustainable development, although current

limitations in energy technology and municipal zoning law have prevented this as a widespread trend. Energy technologies like photovoltaic solar, wind, biomass, or geothermal, distributed at the neighborhood or even household scale in cities, could provide a multitude of benefits for local communities (Sawin and Hughes 2007). Community resilience would be enhanced by redundant, decentralized power generation, while residents would gain the economic benefits of energy production, especially if surplus power can be sold back to the public through smart energy grids (Newman et al. 2009). If local food and energy production are combined with local recycling programs that can replace the import of raw materials, communities could go a long way towards assuming self-control over the fundamental metabolic necessities for human life, in a way that promotes both clean renewable energy and local resilience.

Looking beyond life's fundamentals, however, a number of theorists emphasize the importance of keeping the economic production and consumption of discretionary goods in locally-contained cycles (Bruyn 1987; Shuman 2006; Roseland and Soots 2007; Hawken et al. 1999; McDonough and Braungart 2009). Shuman (2006), writing at the forefront of this argument, notes that the savings popularly associated with chain stores (due to economies of scale and efficiency) are usually propped up by globalization-friendly public policies and tax breaks, and even then are largely overestimated. Drawing upon thinkers like Jacobs (1969, 1984), Shuman (2006, 8) presents the alternative: "economic development rooted in local ownership and import substitution." The core of the local business argument is that "local businesses multiply local economic advantages" by recycling wealth within a community (Newman and Jennings 2008, 41). There is a multiplier effect to local purchasing because "the more times a dollar circulates within a

defined geographic area and the faster it circulates without leaving that area, the more income, wealth, and jobs it generates” (Shuman 2006, 41; Hess 2010). In this conception, local business involves not only business owners, workers, producers, and consumers who live in the community, but also products made from local materials. These businesses can be supported by developing product labeling systems that certify localness, creating “buy-local” campaigns to encourage public recognition of the mutual benefits of local consumption, and ending the array of public subsidies for chain businesses. Other policy measures supporting local economies include the development of Local Exchange Trading Systems which substitute locally controlled currency for national money, and community-based joint stock ownership of “mercantile” stores (Shuman 2006; Roseland and Soots 2007). Some authors envision local economies thriving on an interconnected ecosystem of local economic institutions that address all three major factors of production: land, labor, and capital. These types of “alternative institutions of accumulation” include producer and consumer cooperatives, community development loan funds and credit unions, and community land trusts (Bruyn 1987; Shavelson 1990; Gunn and Gunn 1991; Wilkenson and Quarter 1996; Phillips et al. 2013). A key aspect tying the local business argument to sustainable development concerns the tangible nature of local economies. Local businesses should be more invested in creating eco-friendly products and promoting high labor standards because the negative externalities of each – like pollution or poverty – will directly impact employed owners who personally benefit from a healthy local environment or stable neighbors with disposable incomes. This kind of social and ecological accountability is a

direct outgrowth of tangible, transparent, and invested connections to place (Shuman 2006).

A specific focus on locally controlled banking and capital investment is a natural extension of the local business argument (Bruyn 1987; Gunn and Gunn 1991; Roseland and Soots 2007), but it first must confront the widespread belief that globalized, neoliberal money markets are the only path to future prosperity. Daly (1996) argues that the spread of globalization and free trade is predicated upon a number of unsustainable business practices: globalized trade depends on cheap fossil fuel and transport costs, often nationally subsidized, and these price levels may be impossible to sustain in the face of resource scarcity; specialized, export-oriented economies lack control over their own livelihood and trend away from the dynamic regional agglomerations needed for continued economic growth, as well as away from the expansion of human capital and occupational choice; and globalized competition over input costs alone acts to lower labor and environmental standards, and thus lower quality of life. The author notes that in today's globalized economy, with free capital mobility, absolute advantage based on input costs alone will naturally trump comparative advantage. Ricardo's ideal of comparative advantage states that, even if a country can produce two goods more cheaply than another based on superiority in natural or human capital, they are benefitted by specializing in only one good and importing the other. Yet this view assumes that capital is not mobile; today, countries with human capital advantages can simply build factories in others with cheap labor or raw materials, and thus "capital will flow rapidly to the countries with absolute advantage" (154). To both Ricardo and Adam Smith, as well as modern advocates of local finance, capitalist systems should not be divorced from the

places and communities that actually generate economic value. “[To Smith] the capitalist’s very self-identity is defined with reference to his relations in community. When the self is constituted by internal relations in community it is not so surprising that pursuit of self-interest should promote the community welfare...Smith takes it for granted that keeping capital at home is in the community’s interest” (Daly 1996, 154).

The current dependence of local communities upon globalized finance is also viewed as potentially destructive to sustainable community development because “this dependency disconnects people from the impact of their consumption, disrupting vital feedback loops and undermining economic and social security” (Newman and Jennings 2008, 33). The answer is to incentivize financial structures that can be controlled by local communities and channeled to serve regional priorities, such as cooperative credit unions, microfinance banks, and community development loan funds (Bruyn 1987; Gunn and Gunn 1991; Roseland and Soots 2007; Newman and Jennings 2008); in doing so, trusting relationships between financiers and community members can be built that decrease investment risks while generating social capital (Shuman 2006).

Bioregional Development

The localism movement owes much to modern conceptions of sustainability, but a deeper look at the history of urban planning reveals more distant precedents. One Western planning tradition in particular – regionalism – first developed the ideal of “human settlement in its natural regional context” (Talen 2005, 19). Drawing upon 18th century writings on cultural geography, a number of 19th century European writers like Proudhon and Kropotkin developed an anarchist mode of political thought which

proposed replacing nation-based, formal political organization with decentralized, regional social organization, challenging Western notions of property rights in the process (Hall 2002). British planner Patrick Geddes drew heavily upon anarchist theory to propose a notion of regional planning that rejected large urban areas in favor of decentralized, communal, human-scaled modes of socio-economic organization (Hall 2002; Talen 2005). The “notion of the ecological region” (Talen 2005, 213) was the bedrock of the regionalist approach, and Geddes argued for socio-natural economic systems in which regional ecological and cultural specificities were emphasized – a precursor to modern notions of social-ecological systems dependent upon emplaced ecosystems and local knowledge. This “back-to-the-land” movement was intended to bring people into more intimate and productive contact with the natural and cultural systems that supported them, and it rejected distant, impersonal political control.

Regionalist thought helped inspire a number of notable planning efforts in the early 20th century, such as the Regional Planning Association of America, which led by Mumford and other influential planners promoted regional level planning interventions, new town developments, and even the Appalachian Trail (Hall 2002). In this more codified, pragmatic version of Geddes’ ideas, regional planning was intended to distribute population, natural capital and industry in a decentralized way to “stimulate a vivid, creative life throughout a whole region...Population will be distributed so as to utilize, rather than to nullify or destroy, its natural advantages. It sees people, industry and the land as a single unit” (Hall 2002, 161, from Mumford 1925, 151). Perhaps the most famous outgrowth of regionalism was Howard’s Garden City movement, which envisioned (and ultimately designed) comprehensive town planning on greenfield sites

that would balance settlement, agriculture, and industry under a holistic scheme of property rights and political economy (Hall 2002). Although in practice Howard's Garden Cities became glorified suburbs without autonomous progressive governance, his original plans were closely related to regionalist ideals. He envisioned new cities where people would be brought into more tangible, mutually beneficial relationships with local ecological and agricultural systems as well as local laborers and community products.

As an urban planning tradition, regionalism helps contextualize the bioregional and local economy impulses within sustainability and channel them into a specific focus on the built environment. Sustainable urban development involves planning, architectural, and engineering practices that specifically attempt to integrate the bioregional climate and building site orientation into design. Eco-efficient design is emphasized, based on region-specific availability of energy and materials and the larger idea that cities operate as "complex metabolic systems...with flows and cycles and where, ideally, the things that have traditionally been viewed as negative outputs (e.g., solid waste, wastewater) are re-envisioned as productive inputs to satisfy other urban needs, including energy" (Newman et al. 2009, 79-80). Buildings should be designed not only as energy efficient, renewable energy producing, or carbon neutral, but in specific relation to site and region, including an orientation around natural light and rainfall, and with materials derived from the immediate hinterland (Newman and Jennings 2008; McDonough and Braungart 2009; Duany et al. 2010). Recent smart growth approaches to the built environment emphasize the resilience of simple, regionally-inspired styles of construction that can easily allow modification and repair by local contractors (Duany et al. 2010); this emphasis is shared by sustainability theorists who emphasize the use of

place-based skills and locally generated technologies for actively maintaining the built environment, a source of both socio-economic resilience and local economic development (Newman et al. 2009).

The influence of regionalism on sustainable urban development also extends to the ways in which both discourses emphasize the use of regionally-specific cultural knowledge when building productive social-ecological systems. Sanchez-Rodriguez (2008, 154) summarizes the problem with the current direction of global development: “Changing cultural patterns, influenced by the growth of capitalist consumer societies, and by their rapid spread throughout the 'global society', have further induced the abandonment of traditional knowledge on how to adapt to local climate conditions. These new patterns are based on significant energy costs (for example air-conditioning or new materials) and new architectural and urban forms. Climate change and climate variability often aggravate the deficiencies of poor adaptation to climatic conditions and increase dependence on artificial coping mechanisms.” Notions of adaptive management, searching for a “locally anchored conception of sustainability and sustainable management” (Norton 2009, 30), embrace the use of traditional, place-based knowledge to solve sustainability problems. Under the idea that cultures, like ecosystems, evolve based on natural selection, Norton (2009, 39) states that “successful cultures develop specific adaptations appropriate to their place” and that these time-tested practices can be utilized in management practices. Berkes and Folke (2002) seek to understand how indigenous management practices nurture the long-term health of ecosystems – such as the use of fire to mimick natural ecosystem disturbances or the protection of sacred biodiverse groves – and they emphasize the importance of passing accumulated

knowledge and place-based institutional memory between generations. Drawing upon sustainability capital theory, they argue that “local knowledge or traditional ecological knowledge is part of the [human] capital by which societies convert natural capital – that is, resources and ecological services – into human-made capital or the produced means of production” (123). Duany et al. (2010, sec. 14.1) note that this principle is applicable to the built environment as well: regional building traditions should be encouraged because “the local building vernacular is replete with know-how regarding climate, construction, and culture.” To others, region-specific culture is the very foundation of interpersonal ethics, psychological fulfillment, and cooperative human communities (Newman and Jennings 2008, from Bossel 1998).

The “ecovillage” concept perhaps represents the pinnacle of bioregional idealism. Like Howard’s Garden Cities, ecovillages are intended as holistically planned residential communities that incorporate the array of social, natural, and physical design improvements suggested in the localist and bioregional literatures. As “intentional communities” in which “residents share social, environmental, and economic goals” (Newman et al. 2009, 44), ecovillages attempt to increase the resilience and security of local residents by encouraging local production, social capital, and self-sufficient livelihoods (Newman and Jennings 2008).

Tangible Socio-economic Relationships

Within the various discourses summarized above, three social-ecological relationships stand out as critical pillars supporting the emerging ethic of sustainable urban development: the *person-place* relationship, the *producer-consumer* relationship,

and the *place-political economy* relationship. It is posited that the sustainability of urban development is closely related to the degree to which these relationships are tangible for, transparent to, and self-controlled by regionally-emplaced people.

The *person-place relationship* begins with sustainable urban development's clear focus on locally and bioregionally emplaced communities, both in natural and socio-economic terms. This relationship entails a personal understanding of the natural ecosystem, and corresponding cultural and economic systems, from which one derives his or her sustenance and quality of life. More deeply, it involves a close, mutually constitutive relationship between urban residents and the unique features of their locale – an idea summed up by the phrase “sense of place” (Newman and Jennings 2008). People must not only grasp the ways in which their regional ecosystem has produced a unique culture and economy, but also actively participate in a place-based social life that reproduces and expands the unique features of their community. The person-place relationship is often invoked when studying the ways in which globalizing economic forces have spread homogenized services to places across the globe, threatening their unique nature and obscuring their bioregional roots. Inter-regional competition for “place-independent” economic investment can propagate this strain of globalization, but places can choose regionally integrated development in which bioregional assets are protected and a diversified economy is promoted (Norton 1999). This shift from globalization to regionalization – an actual trend noted by many in the regional economic agglomeration literature – is dependent upon the existence and growth of sense of place, where residents are tangibly engaged with place and pursue local strategies to strengthen this collective attitude.

The *producer-consumer relationship* represents one of the foundational concepts behind both regionalist planning and the advent of urban sustainability. It points to the importance of a tangible, transparent, and self-controlled connection between the production of goods and one's consumption of those goods. It involves recognizing that the act of consumption is an implicit endorsement of the production process associated with the consumed good, and should involve a personal understanding of any ecological or social externalities resulting from production. This relationship is implicated in sustainability's focus on the carrying capacity of ecosystems and the ecological footprints of cities. As Daly (1996, 149) observes, "trade makes it possible for some countries to live beyond their geographic carrying capacity by importing that capacity – natural capital – from other countries...[leading to] greater geographic separation between the production benefits and the environmental costs of throughput growth, making it more difficult to compare them." The concept of ecological footprint is critical here because it involves a self-conscious reflection about the producer-consumer relationship, and specifically involves exerting control over consumption (Satterthwaite 1997). Others frame the tangibility of the producer-consumer relationship as an active type of feedback control critical for the maintenance of social-ecological systems. "Transforming our consumption and production patterns rests on bringing the processes of consumption and production together to enhance awareness of the impacts that these patterns have on human communities and ecosystems, in other words, restoring feedback loops between the city and its bioregion. Only in this way can exploitive relationships turn into regenerative ones. Bioregional and local economies provide the key to restoring these feedback loops, and matching our consumption and production patterns better to

bioregional capacities” (Newman and Jennings 2008, 189). In this conception, the notion of “awareness” is not just a moral imperative that can enhance sustainability outcomes. Human awareness of the producer-consumer relationship becomes a self-reflexive tool embedded in the natural feedbacks of the social-ecological system; it does not improve a “natural” system as an outside intervention, but is rather an integral, natural part of that system.

The “sense of place” ethic is closely tied to the producer-consumer relationship, as both involve conscious reflection on one’s physical participation in the place-based systems directing socio-economic life. In terms of regionally generative economies, both relationships are implicated if one has a personal understanding of place-based cultural specificities and how one’s consumption choices can support novel cultural production and import-replacement. This type of emplaced, reflexive urban consumption is critical for the local generation of dematerialized economic value (Storper 1997; Ayres 1998; Scott 2000). The visual and cultural stimulation afforded by unique, dynamic places can “activate” human creativity, and is seen as a contemporary driver of knowledge-based and service-based industries (Shuman 2006; Florida 2008, 159). These two relationships are also interwoven in the emergence of “landscape urbanism” as a discourse in planning and landscape architecture. This discourse, an amalgamation of a variety of planning perspectives, coheres around the ideal of designing transparent, ecology-inspired architecture that displays the physical infrastructure necessary for urban metabolism (Corner 2006; Steiner 2011). Arguing that “cities and infrastructures are just as ‘ecological’ as forests and rivers” (Corner 2006, 29), landscape urbanism argues that natural landscapes should be visibly incorporated into architectural design, serving as the

foundation for design strategies instead of being obscured by them (Steiner 2011). The discourse also draws from new ecological theory by emphasizing the perpetual change and development at the core of social-ecological systems, and planning “a kind of urbanism that anticipates change, open-endedness, and negotiation” (Corner 2006, 31). This approach is similar to bioregional planning perspectives in a commitment to site-specific, environmentally-friendly design, but it goes beyond it by emphasizing that this design can be aesthetically pleasing while promoting a conscious, tangible connection between people and urban metabolic systems. As Czerniak (2006, 108) summarizes, “landscape urbanism also suggests a particular culture of consciousness about the land that refrains from the superficial reference to sustainability, ecology, and the complex processes of our environments in favor of projects that actually engage them.”

The *place-political economy relationship* suggests that local communities should be able to understand and exert political control over their governance as well as over the business interests impacting local land use and economic exchange. In the most basic sense, a tangible place-political economy relationship entails a just, participatory, democratic interaction between local communities and political economic institutions operating at larger municipal, state, federal, and global scales (Bruyn 1987; Gunn and Gunn 1991; DeFilippis 1999). In urban planning, the trend towards encouraging community input into and endorsement of local land use has been ongoing since the 1970s, when there was a significant shift from top-down to bottom-up planning approaches (Hall 2002). Today, planning “charrettes” – participatory community forums – are commonly assembled before implementing local development projects (Duany et al.

2010), and these initiatives share much in common with sustainability problem-solving approaches emphasizing stakeholder input and reconciliation.

Two relationships subsumed under the place-political economy relationship help illuminate other ways in which the interaction between local communities and extra-local economic entities can become more tangible and self-controlled. The *place-capital relationship* focuses upon how financial capital is invested in and generated from the development of place, and it describes the degree to which development capital has been tangibly accumulated from local or regional systems, has employed local workers and resources, and is oriented towards publically negotiated development goals. As the proceeding chapters detail, the political economy of land development is increasingly dependent upon large pools of capital nebulously derived from global money markets, and the local deployment of this money by extra-local institutions can affect the stability and efficacy of local economies while robbing localities of control over their economic trajectories. The *ownership-occupancy relationship* addresses the disconnect between place and capital at the most local scale of land use; it describes the degree to which property owners are physically present in the generation of economic value from their property. In cases of absentee landlordism, either of rented properties or vacant land, the removal of land owners from communities can hamper community efforts at self-development. On the flipside, when properties are owner occupied or owned by local community members, profits are more likely to be re-circulated within the community and property owners are more likely to be invested in place and become nodes for social capital and cultural production.

The tangibility of these three sustainable development relationships is emphasized in part because all seem implicit in the historical development of the urban sustainability discourse. In Sanders' (2010) description of the fight to preserve the Pike Place Market, preservation activists emphasized both the importance of experiencing the unique, regional flavor of the market – a tangible person-place connection – as well as protecting the transparent producer-consumer relationship inherent in the sale of regionally-derived goods by producers themselves. The market represented a critical institution connecting the human body with nature, and “the market struggle came to embody a vision of urban ecology that reached beyond the physical structures to the relationships in which the market participated” (37). In Seattle's Model Cities program, the relationship between local land use and political economy was a central focus of reform efforts. Policies aimed at cleaning up blighted land lacking community-embedded ownership and promoting the development of affordable housing with equitable local financial arrangements. The emphasis on community gardens, from both bioregional and community development perspectives, represents a multi-faceted attempt to encourage tangible socio-economic relationships. Community gardens not only make the production of food a local, transparent affair, but they also engender a distinct sense of place among community members that provides a nucleus for social development and community organization.

The Dialectic of Efficient and Novel Development

To fully theorize sustainable urban development, it is important to understand the implications of a socio-economic shift away from quantitative growth towards both efficient and novel development, two aspects of the growth process that often seem at

odds in the workings of systems. Early conceptions of sustainable development often framed sustainability problems in terms of inefficiency of resource and energy use – and for good reason, since much of the world’s environmental degradation and many approaching resource limits can be traced to wasteful economic practices (Satterthwaite 1997; Hawken et al. 1999). Gibson (2006, 174) frames sustainability in part as a question of resource efficiency, claiming it involves “reducing extractive damage, avoiding waste and cutting overall material and energy use per unit of benefit.” An anti-consumption mentality was often paired with calls for efficiency, leading many to propose a clear delineation of needs and wants, and public policy solely focused on needs and “voluntary simplicity” (Schumacher 1973). Yet efficiency alone may not be enough because people “need to consider purposes and end uses, recognizing that efficiency gains are of no great value if the savings go to more advantages and more consumption by the already affluent” (Gibson 2006, 174). This situation, in which efficiency improvements counter intuitively lead to more, not less, consumption, is known by economists as the Jevons’ Paradox (Glaeser 2011).

Efficiency-minded sustainability theory rooted in a voluntary simplicity mindset represents a worthy approach to sustainability problems, but it does not recognize that expanding consumption options and efficiency do not have to be in conflict. Product life cycle improvements, service-oriented products, dematerialized economic value, and recycling innovations all can help decrease the wasteful inefficiencies of complex economies. Furthermore, the voluntary simplicity approach is fundamentally at odds with a perspective informed by complex adaptive systems and the growth paradigm. An emphasis on “far-from-equilibrium” systems constantly growing and evolving in

competitive processes seems to preclude the balanced, equilibrium living advocated by the simplicity movement. In this dynamic conception, “novelty may be seen as the introduction of new processes or materials into a cycling network or surviving thermodynamic material organization. Confirmation is the repetition of the tried and true. The interplay between what works and the risk of trying something that might work better...is at the heart of competition between open complex systems” (Schneider and Sagan 2005, 103).

Classical economists have long framed economic questions in terms of efficiency, in large part because existing products and markets are easier to study than the process of innovation. Georgescu-Roegen (1971) was one of the first economists to recognize the dynamic implications of thermodynamics and the natural limitations of an economic science preoccupied with efficient development. He emphasized novelty as a critical component of economic development and advocated broadening the scope of economics to include social studies, since “the impact of a technological innovation upon the economic process consists of both an industrial rearrangement and a consumers’ reorientation, often also of a structural change in society” (127). Jacobs (1969, 1984), of course, turns full attention on the development of socio-economic novelty in her concepts of “new work” and import-replacement, arguing strenuously that an economic preoccupation with efficiency is a prelude to stagnation. Adam Smith’s concept of division of labor, which implies that divvying up production processes into an array of smaller tasks is more efficient and productive, is turned upside down by Jacobs (1969): she argues that division of labor is more valuable as a source of innovation and as the development of socio-economic complexity. “Seen as a source of new work, division of

labor becomes something infinitely more useful than Adam Smith suggested when he limited its function to the efficient rationalization of work” (Jacobs 1969, 84). In fact, Jacobs (1969, 86) specifically rejects efficient development as an obstacle to innovation and revels in urban complexity, going so far as to state, “I do not mean that cities are economically valuable in spite of their inefficiency and impracticality but rather because they are inefficient and impractical.” To Jacobs, the inefficiencies of diversity are “built into” the process of novel development, and there is a distinct “conflict between efficiency and development” (Jacobs 1969, 94).

The ecological concept of resilience revolves around a similar tension between efficiency and complexity. Resilience theorists note that mainstream sustainability’s emphases upon resource efficiency may be counterproductive because highly efficient systems tend to be more susceptible to disturbance and less resilient (Walker and Salt 2006). As they summarize, “the more you optimize elements of a complex system of humans and nature for some specific goal, the more you diminish that system’s resilience” (9). There is a certain fragility that is part and parcel of processes that optimize one outcome, since that outcome is privileged over all other goods. For example, “just-in-time” economic production, which delivers the freshest materials right at the moment of production, induces productivity gains and often inspires economic growth in advanced capitalist economies. Yet this mentality has led, for example, to a situation in which the 8 million residents on the island of Manhattan are constantly dependent on the last 24-48 hours of food shipments, across only a few aging bridges and tunnels. High land prices discourage the inefficiency of long-term food storage, but at the expense of resilience.

Thus resilience in socio-natural systems involves a healthy dose of redundancy, where inefficiencies are accepted because they may be useful under changing conditions. This has led resilience theorists to emphasize the importance of diverse system components that are more modular and independent, less connected to one another (Walker and Salt 2006). Yet others warn against the dangers of complexity – Jacobs’ notion of inefficiency for inefficiency’s sake – because complex systems can be equally compromised by inefficiency. Tainter (1988) warns that social, economic, and political complexity may trigger the decline of complex societies, as they struggle to introduce new efficiencies to path-dependent and highly interdependent socio-political arrangements. Redman and Kinzig (2003) note that the tension between efficiency and novelty represents a “resilience paradox” that can be resolved only temporarily, in the context of specific systems. “The key is in filtering information and fostering connectivity in times of stability, increasing exchange of information and fostering flexibility in times of change, and recognizing when a shift from one strategy to the other is necessary. Hence, we assert that there is no single optimal form of system connectivity or networking that will foster resilience” (Redman and Kinzig 2003).

Ultimately, the lessons of resilience theory imply that efficient and novel development are intertwined in a tense yet productive dialectic. Some authors compare modern socio-economic systems with the *r* stage of the adaptive cycle, noting that rapid scalar expansion has been encouraged by the availability of energy, resources, and land under the capitalist growth paradigm. These authors argue for an ongoing societal shift to the conservation phase of the cycle (Odum 2007; Newman and Jennings 2008). Others note the ways in which advanced societies may align with the late *K* phase, where the last

available bits of efficiency in production systems are squeezed out at the cost of overly complex bureaucracies and “one-size-fits-all” solutions to problems (Tainter 1988; Walker and Salt 2006). Yet embedded in the adaptive cycle idea is the notion that, in certain phases, the efficiency and complexity of systems can work *in tandem* in active development. Similar to both Smith’s and Jacobs’ conceptions of division of labor, systems can expand the diversity of their parts in order to produce more efficiently, and in doing so they can use complexity to expand the foundations of innovation and resilience. Thus the early *K* phase in particular interests sustainability theorists because systems have room for complex development that increases the efficiency of energy dissipation. In this transition from exploitation to conservation, the connectedness and stability of a system increases through the development of synergistic relationships, but instead of preventing further innovations it actually encourages them (Holling and Gunderson 2002). Interestingly, the ideal that efficient and novel development can be accomplished in tandem helps inform approaches to regional economic and land development: regional economies are strengthened when they can both efficiently specialize in a few export-oriented goods and maintain a broad, complex economic base providing a well-spring of new innovation; land development is optimized when built environments realize the energy and transport efficiencies of density while also providing mixed-use diversity.

Sustainability and the Preservation of Options

One of the central lessons learned from the resilience approach is that uncertainty is endemic to social-ecological systems. Although resilience describes “the amount of

disturbance a system can take before its controls shift to another set of variables and relationships that dominate another stability region” (Folke 2006, 254), this does not imply that existing system states must always be preserved from disruption because that would assume an equilibrium-based conception of natural life. Instead, the emergent conception of resilience is inherently dynamic and open-ended in response to uncertainty, such that adaptability and evolution are seen as an aspect of resilience (Holling and Gunderson 2002; Folke 2006). “The challenge, rather, is to conserve the ability to adapt to change...and even to create the kind of surprises that open opportunity. It is this capacity that a view of an evolving nature should be all about – i.e., maintaining options in order to buffer disturbance and to create novelty” (Holling and Gunderson 2002, 32). This quote makes clear that novel development is considered a critical feature of resilient evolving systems, and Holling et al. (2002, 10) goes so far as to argue that “the emergence of novelty that creates unpredictable opportunity is at the heart of sustainable development.”

The protection of existing ecological diversity represents one way to enhance resilience through complexity. Folke et al. (2009) separates ecological diversity into three components: redundancy (species with similar niche roles), functional diversity of roles (variety in ecosystem niches and species), and response diversity (different responses to disturbance from different system roles). Like in other perspectives on novel development, diversity undergirds resilience not only through redundancy, but also as the raw material for new adaptations and innovations (Kofinas and Chapin 2009). When applied to social-ecological systems, the protection of existing economic and cultural diversity can “increase the number of building blocks available to respond to and shape

change” (Chapin et al. 2009, 324). Resilience is similarly linked to the protection of diversity in discussions of urban transportation and energy networks (Newman et al. 2009), regional urban economies (Shuman 2006), and urban planning (Jacobs 1961).

This ideal of resilience, where it evolves through the protection of diversity that can generate opportunity, has been emphasized as a central pillar of sustainable urban development. This is best captured by Bryan Norton (1999), who emphasizes that “the core idea of sustainability is best captured... as an expression of an obligation to maintain options and opportunities for the future.” To Norton, maintaining options preserves a freedom to choose, while opportunities imply options that are time-sensitive and are actually available to agents embedded in systems of power and inequality. Framing the issue as a relationship between current and future needs, like the Brundtland Report, Norton (1999) argues that “any community that intends to act sustainably must fund a path toward development that, over time, protects and expands, rather than contracts, options of intertemporal social importance.” Other theorists specifically link the expansion of options and choice to urban development in particular. The fixed, durable, and expensive nature of the built environment is much more static than the fluid, ever shifting consumer preferences in urban economies. This can create a mismatch between supply and demand, especially when political economies gravitate towards perpetuating existing models of development. The persistence of the built environment thus creates “bundles” of amenities (e.g., suburban houses that require a car, specialized services, etc.) that can limit true economic choice (Storper and Manville 2006). Smart growth advocates often point to the existing limits on consumer choice in suburb-dominated housing markets when proposing new types of urbanism that encourage a diversity of housing and

lifestyle options (Levine 2006; Duany et al. 2010). Furthermore, cities with overly specialized economies offer a reduced range of occupational choices for workers, a trend that Daly (1996) views as a welfare cost since work is a critical source of well-being.

The preservation of options and opportunities is considered central not only to ecological, economic, and land development, but also to human development as well. This idea clearly relates to social justice and the activation of existing human and social potential – intra-generational equity – as well as the preservation of options for future generations – inter-generational equity (Young 1990; Schlosberg 2007; Sanchez-Rodriguez 2008). Gibson (2006) specifically notes the importance of intra- and inter-generational equity for sustainable practices, and by emphasizing “livelihood sufficiency and opportunity,” hints at a dialectic of sustainable development. This dialectic is at once conservationist, focused on sufficiently meeting simple needs, and expansionary, driving ever faster towards indeterminate opportunities for higher complexity and productivity. After all, “in the pursuit of sustainability, the means and ends are intertwined and the process is open ended. There is no end state” (Gibson 2006, 172). Ultimately, the dialectic between efficient and novel development indicates that while both are necessary for the development process, it seems much easier to manage the efficiency of existing processes (through scientific management) than to engender novelty, since this task is indeed open-ended and devoid of the context needed to define a sustainable end state.

A New Definition of Sustainable Urban Development

Sustainable urban development is elaborated above based on the contestable notion that constant, unstable growth and development lies at the very being of natural

and human systems. Due to the finite nature of ecological, material, and energy resources, there are natural limits on expansive growth suggesting that sustainable development involves a shift away from quantitative growth towards qualitative development. Development has been described in different ways by disciplines addressing ecological integrity, social cohesion, industrial success, and land use planning, and the emergent field of sustainable urban development draws upon all of these discourses in formulating a vision grounded in bioregional, human-scaled systems. The productive tension between efficient and novel development emerges from all of these discourses, and when analyzed in reference to ecological resilience, it suggests privileging the preservation of future opportunities in the management of social-ecological systems.

Thus, as conceptualized above, sustainable urban development is defined as: *an ongoing shift from scalar growth in energy, resource, and land use to efficient and novel development of ecological, human, economic, and built environment resources, during which the local tangibility of socio-economic relationships, and the number and equitable distribution of opportunities for future development, are perpetually enhanced.*

Chapter 2: Reconciling Political Economy with Sustainable Development Theory

During the initial colonization of North America, the pragmatic assumption that food, resources and wealth are scarce guided the governments and chartered corporations responsible for initial frontier development. Yet, as mentioned in the previous chapter, a crucial ideological shift occurred after the mid-17th century that de-emphasized scarcity and promoted the notion that the abundant resources of the New World could offer almost unlimited opportunity (Miller 1978). After the independent founding of the United States, the economic possibilities offered by American frontier became entwined with the imperial ideal of “Manifest Destiny,” creating a powerful ideological potion that framed the westward expansion of Anglo settlement and resultant wealth creation as the triumphant products of individual initiative and free trade. Throughout the 19th century, the relentless land settlement and industrial development of ecological and mineral resources indeed generated fantastic amounts of wealth – especially for entrepreneurs operating at the urban nodes of trade, like Chicago and New York City. American frontier development became one of the greatest examples of purely scalar, aggregate socio-economic growth in the history of the world, where wealth was generated not by expanding divisions of labor or transport efficiencies as much as simply by the extraction of “more.”

The conceptual shift from scarcity to abundance triggered changes in the legal and political structures of municipalities. Cities previously established as entities to manage corporate monopolies, trade, and citizens were freed of legal strictures and geographical bounds, and now were seen “as stimulators rather than as regulators of economic and

social development” (Miller 1978, 137). Yet this newfound allegiance with open-ended scalar growth produced a concomitant shift in attitudes towards the nature of wealth itself. Although homesteaders were motivated by the opportunity to own land and use it productively, constant settlement expansion combined with endless population growth “unwittingly translated land, which existed in undeniable plenty, into fluid capital” (Miller 1978, 138). Early on, many Americans realized that land not only had an immediate and durable use value, but that the surety of evermore settlers seeking opportunity would endow frontier land with an appreciating exchange value as well. Wealth was seen to be “created” not just through the long-term application of sweat equity to land improvement, but more immediately through land speculation. Emergent frontier municipalities, backed by the boosterism of local entrepreneurs, realized the possibilities of both types of wealth and often tried as hard or harder to attract new settler-investors as new settler-farmers.

Historians have exhaustively documented the widespread prevalence of land speculation in the 19th century American frontier (Swierenga 1974, 1977), but it is interesting to note that it was present on the 17th century (Lewis 1974) and 18th century (Grant 1955) American frontiers as well. Early 20th century historians often applied a progressive, moralistic viewpoint to land speculation histories, arguing that the practice enriched those who did not improve the productivity of American lands and local communities. Some theorists have identified the 1785 public land ordinance as a major factor, as it “provided for the survey and sale at auction of all public land far in excess of demand and at bargain basement prices, thus enticing into the market both large investors and, even more importantly, squatters” (Swierenga 1977, 291). The land ordinance

essentially promoted the exchange valuation of land through land speculation, an outcome specifically at odds with the romantic notion of a nation of small farm ownership. More recent historians have taken a more neutral, procapitalist stance on land speculation, emphasizing positive economic impacts as well (Swierenga 1977). Whether neutral or not on the issue, it is clear that a combination of law and ideology placed real estate speculation at the center of American frontier development and entrenched it in subsequent real estate cycles (Foldvary 1998; Glaeser 2013).

In 1893, Fredrick Jackson Turner famously pronounced that the American frontier was closed, that the seemingly unlimited abundance offered by the western United States was now fully claimed and settled. Yet the get-rich-quick growth paradigm fostered by frontier land dealings remained a crucial part of the American psyche, and by that time intrepid speculators and developers had already found a new outlet: land and housing development on the urban fringes of American cities. By the middle of the 19th century, regional railroads had begun spurring suburban development around stations in suburban locations, and the advent of the electric streetcar at the end of the century accelerated this process of suburbanization. Speculative land development went hand-in-hand with the placement of streetcar lines, and many American cities began to spatially expand their residential areas to accommodate growing working and middle classes. As Kenneth Jackson's (1985) history of suburbanization indicates, suburbs became a new frontier for speculators and developers to turn a quick profit. Furthermore, just like the western frontier, suburban development was equally predicated upon the country's scalar population growth due to the influx of seemingly endless numbers of foreign emigrants.

The trajectory and drivers of 20th century suburban development have been well studied and retold by a number of historians (Jackson 1985; Fishman 1989; Hall 2002), and now represent a familiar narrative to observers of American history. The advent of automotive travel opened up exponentially greater swaths of the urban fringe to suburban development, and especially in the boom years following World War II, the pace of this growth exploded. In the post-war years, the federal government instituted three major policies that helped subsidize rapid suburban growth: the Federal Housing Administration's mortgage subsidization program, which helped make new single-family home construction more financially appealing than inner city rehabilitation; the 1956 Interstate and Defense Highways Act, which provided subsidized transport and "marked the real beginning of freeway suburbanization" (Hall 2002, 316); and the practice of "redlining" inner-city neighborhoods – where development loans were limited mainly to wealthy, white, or growing suburban areas, neglecting inner city reinvestment – which was propagated by private financial institutions at the explicit encouragement of the federal Home Owners' Loan Corporation (Jackson 1985; Metzger 2000). This cocktail of incentives mixed with racist attitudes to spur the "white flight" of many inner city residents to the suburbs, leading to the physical and economic decline of many American city cores. White flight (and later, black middle class flight) provided an influx of population growth to suburbs, replacing the decline in foreign emigration and reaffirming the growth mentality at the center of the American psyche.

Today, many theorists and citizens alike have questioned whether the ideology of suburban life matches its tangible value. Sprawling suburban development patterns are linked with the pollution, energy inefficiencies, and negative health impacts of sedentary,

auto-dependent lifestyles, while suburbs themselves have not lived up to their community-based ideology and instead prevent the development of interpersonal connections and social capital (Putnam 2000; Halpern 2005; Levine 2006; Duany et al. 2010). Yet suburban growth continues to be subsidized by the federal government through housing and transportation incentives, despite calls for leveling these incentives and promoting an expanded set of lifestyle choices (Glaeser 2011). A resurgent form of municipal boosterism, made up by powerful regional coalitions of businessmen, politicians, media outlets, utility companies and labor unions, accompanies these federal incentives in promoting a growth ideal. Like in the frontier days, this mentality has often pitted city against city in the struggle to attract investment (Logan and Molotch 1996). Although the efficacy of suburban growth and municipal competition for economic development has been questioned, this ideology continues to be reproduced in the popular imaginary. Logan and Molotch (1996, 299) note that “the celebration of local growth continues to be a theme in the culture of localities. Schoolchildren are taught to view local history as a series of breakthroughs in the expansion of the economic base of their city and region.” Children must usually seek out a more advanced education, however, to find that local growth was predicated upon the ultimately finite availability of untapped natural sources and subsidized heavily by distant federal taxpayers.

Logan and Molotch’s (1996) concept of the “growth machine” underlying these processes isn’t purely descriptive, however, as they use it to critique the overall stability of growth-based policy. Pro-growth ideology, steeped in the notion that residential land is a capital asset as much as a place to live, is often mobilized to combat complaints that some residents are not advantaged by further municipal growth and the resulting

congestion, pollution, and infrastructure costs. This emphasis implies that a constant upward spiral of land speculation, where “prior speculative investments have to match the requirements of further speculative growth” (Harvey 1985, 156), is a stable foundation for municipal economies. Logan and Molotch’s critique draws upon a rich tradition of critical social theory that associates the growth paradigm with the instabilities and injustices of the larger, global capitalist system. Critical theory addresses the political economy of urban land development, and as such can be added to the range of disciplinary approaches to development reviewed in the last chapter. However, as a critical approach, it can also inform or directly challenge these perspectives. As this chapter shows, critical theory has broad relevance for attempts to understand and implement sustainable urban development because it targets the specific workings of land economies and connects them to a broader web of concepts and critiques.

The following pages review the ways in which critical political economists understand the process of place-based economic development. This review is intended to show how critical perspectives on political economy can help inform and strengthen sustainable development approaches to urban land use. Particular focus is placed on how neoliberal ideologies of economic deregulation shape the political arena surrounding the deployment of finance capital in urban development. The difference between the use value and exchange value of improved land is emphasized throughout, as it helps to show how land speculation and exclusionary land use planning can affect the urban landscape and the well-being of urban residents. The difference between use and exchange value also provides a strong theoretical link back to the tangible socio-economic relationships at the heart of sustainable urban development. While this entire chapter addresses the

place-political economy relationship, it also illuminates the ways in which tangible producer-consumer and person-place relationships have been emphasized by critical theorists, in parallel to sustainable urban development theory. Although critical theory and sustainable development theory represent separate, distinct normative approaches, founded upon different visions of political economy, they share enough similarities to equally inform progressive attempts to rectify pressing social-ecological problems created by scalar growth.

Critical Theory Perspectives on Urban Land Development

“The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere” (Marx and Engels, the Communist Manifesto, New York: Signet 1998, p.54, cited in Heynen and Robbins 2005). Critical theorists in the Marxian tradition emphasize that the capitalist development process is inherently volatile because it involves an endless search for new sources of profit. Capitalism essentially boils down to a quest to accumulate capital - “accumulation for accumulation’s sake” (Harvey 1985, 1) – and this quest implies constant tension and instability in capitalist society. Accumulation, in turn, is accomplished when capitalists are able to extract surplus value from labor power by paying a wage to laborers less than the profits received from the products of their labor. Although the labor theory of economic value has been criticized in modern times, and there are other conceptual problems with this theoretical tradition, one “essential Marxian insight” is harder to challenge: “that profit arises out of the domination of labor by capital and that the

capitalists as a class must, if they are to reproduce themselves, continuously expand the basis for profit” (Harvey 1985, 1).

This insight implies that a growth imperative lies at the core of capitalist urban development. The competitive, zero-sum nature of capitalist economies implies a relentless search for new source of accumulation, and in a surprising resemblance to thermodynamic and ecological systems, capitalism represents a dynamic, far-from-equilibrium system where “stasis spells death; growth is everything” (Merrifield 2002, 22). To Marx, capitalist accumulation was directly predicated upon constant population growth, but unlike Malthus, he did not see this trend as a sustainability concern (Harvey 1996). Instead, the power inherent in technologically-induced economic development could be a liberating force for all humans, provided that the exploitation propagated by the capitalist class could be defeated. Berman observes that Marx found a “new image of the good life” in growth-based economies, where not only could society progress to greater heights, but individual human potential could be developed as well, liberating people functionally and psychologically from the strictures of class (Merrifield 2002, 162, from Berman 1982, 98).

A number of more contemporary thinkers have theorized how the capitalist accumulation process affects the physical implementation of land development and urbanization. Harvey (1985, 221) notes that even before capitalism the urbanization process “has always been about the mobilization, production, appropriation, and absorption of economic surpluses.” Capitalists search throughout the differentiated places in modern society in search of profitable growth opportunities, and when an untapped opportunity is found, capitalist development involves the “occupation and production of

urbanized space” (Lefebvre 1973; Soja 1989, 91). Harvey (1985) hypothesizes three “circuits of capital” to help theorize the development process. In the primary circuit, capitalists tend to invest in the production of goods and services, and use labor power to accumulate an economic surplus. Yet since capitalism is a competitive process, where individual capitalists do not collaborate to match supply with demand, the primary circuit inevitably leads to the overproduction of commodities and the “overaccumulation” of capital. Capital becomes overaccumulated because, in a flooded commodities market, the opportunities for reinvestment in the primary circuit are inherently fewer than the capital derived as surplus value. This overaccumulation crisis leads capitalists to invest in the secondary circuit of capital – the spatially fixed physical infrastructure necessary for production in the primary circuit. This infrastructure includes both the fixed capital of industrial production, such as machines and factory buildings, as well as the larger built environment supporting urban economies, such as transportation networks and private real estate. Investment in the secondary circuit, however, is equally seen as a temporary solution to overaccumulation crises, and sometimes capital is even channeled into the tertiary circuit – investments in technological innovation, education, and political systems that can increase the longer-term stability of capitalist society.

Essentially, in the materialist focus of critical theory, the urbanization process “implies the creation of a material physical infrastructure for production, circulation, exchange and consumption” (Harvey 1985, 14) under the inherently crisis-prone conditions of constant capitalist competition and accumulation. Overaccumulation is inherent to all three circuits of capital, generating periodic economic crises where assets

must be devalued or destroyed to refresh the background conditions for renewed accumulation.

The Production of Space and Uneven Development

Critical theorists attempting to understand how contemporary urban geography is organized place a particular focus on capitalist investments in the secondary circuit of capital. Unlike other types of capital, investments in the built environment tend to involve long-term endeavors, and their spatially fixed nature, subject to entropy, contrasts sharply with the fluidity of financial capital. Lefebvre (1973) describes the movement of overaccumulated capital to the secondary circuit as the “production of space” – capitalism searches to produce new spaces of production (e.g., factories, material transport networks) and consumption (e.g., housing, markets) as temporary solutions to accumulation crises. Since the built environment is durably emplaced, the production of space usually involves the destruction of existing land uses – and human uses of land – in favor of new land uses oriented towards competitive profit. This act of redevelopment represents a conceptual shift away living in space, towards accumulation in space – and the advent of capitalism meant that “Western society chose to accumulate rather than to live...creating a contradiction between enjoying and economizing whose drama would thereafter hold society in an iron grip” (Lefebvre 1973, 327).

The conflict between mobile capital and an immobile physical environment creates a perpetual paradox in urban land development when older structures cannot keep up with the demands for fresh accumulation. “In order to overcome spatial barriers [to accumulation]...spatial structures are created that themselves act as barriers to further

accumulation. These spatial structures are expressed in the form of immobile transport facilities... We can in fact extend this conception to encompass the formation of the built environment as a whole” (Harvey 1985, 25). Thus, when capital looks to the secondary circuit for accumulation purposes, two strategies emerge to overcome this paradox: new, undervalued properties can be developed, using scalar growth to capture profits; or existing properties can be redeveloped if they have depreciated to the point where redevelopment makes financial sense. Either way, this temporary movement of capital to the secondary circuit is often described as the “spatial fix” for capitalism’s internal contradictions (Harvey 1985). Although a temporary solution, the spatial fix can become a long-lasting strategy if the geographical scale of capitalist processes can be continuously extended while institutional structures are used to destroy and recalibrate the values of urban space.

Suburbanization – the new frontier of American development – is the most widely cited example of the spatial fix. As Harvey (1985, 28) argues, “the dilemmas of potential overaccumulation which faced the United States in 1945 were in part resolved by the creation of a whole new life style through the rapid proliferation of the suburbanization process.” Suburban development not only involved economic activity through the production of new spaces, like housing developments and roadways, but also buttressed numerous new industries catering to automotive transport, the domestic furnishings of single-family homes, and other suburban services (Ashton 1984). Federal policies favoring suburban construction over inner-city redevelopment aided the certainty of capitalist investments in the suburban fix, for by devaluing inner city land through redlining and suburban subsidies, these policies helped to constrict the availability of land

for redevelopment, elevating the status of scarce available spaces. This form of “socially produced scarcity” added a directionality to the spatial fix that reduced risk and increased the profit margins of capitalist developers (Merrifield 2002). Yet the fix provided by suburbanization is necessarily temporary, and the contradictions and tensions involved with this spatially fixed accumulation strategy are increasingly clear. Once complete, many suburbs develop political coalitions opposed to new types of land development, preventing future accumulation strategies based on devaluing and redeveloping land (Ashton 1984; Harvey 1985).

Ultimately, “uneven geographical development” is the outcome of these spatial fixes: the investment of capital in and endowment of value to particular spaces, specifically in contrast to others, inherently leads to urban landscapes with differential values. Yet uneven development is not simply an outcome of capitalist urbanization – spatial differences in value and built environments are crucial conditions for the future realization of capitalist profit (Smith 1984; Merrifield 2002). A number of related theories have been posited – such as core-periphery theory, dependency theory, World Systems theory, and uneven development – that essentially make the same point: “capitalism...inherently builds upon regional or spatial inequalities as a necessary means for its continued survival” (Soja 1989, 107). Socially produced scarcity is inherent to uneven development, as “a portion of the surplus product generated at one location is blocked from being locally realized and accumulated, while the surplus produced at another location is augmented” (Soja 1989, 115). Uneven development implies that capital investment moves like a “see-saw,” constantly moving from one urban environment to another, and back again, relentlessly promoting the creative destruction of

urban landscapes in search of profit (Smith 1984). As the suburban fix wanes in effectiveness, capital has begun migrating back to gentrify inner city neighborhoods, using the devaluation created by institutional neglect as the very source for future development profits (Lees et al. 2008). Although historians point to federal policies as the driver of suburbanization, critical theorists emphasize that federal initiatives are simply part of the larger political economy surrounding development, one in which uneven development is a crucial strategy for avoiding the perpetual crises of capitalist accumulation.

Neoliberalism

When studying uneven development in modern capitalist economies, most critical theorists focus on the emergence of neoliberalism as a political economic ideology informing public policy. As Harvey (2005, 2) summarizes, neoliberalism is “a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade.” Neoliberal ideology, which “has become hegemonic as a mode of discourse” since the 1970s (Harvey 2005, 3), links socio-economic success with the diminishment of government intervention in market activity and thrives upon defining public and private goods in terms of monetary valuation. Social life and human freedom become “reconceptualized along economic lines” while entrepreneurialism and individual initiative are elevated as an ethical foundation for modern societies (Leitner et al. 2007).

Harvey (2005) traces the history of neoliberalism back to the mid-1970s, especially focusing on the institutional reforms implemented in the wake of New York City's financial crisis. Viewing New York's problems as rooted in welfare spending and bureaucratic inefficiency, policymakers began emphasizing the city's business climate instead of quality of life and portrayed the city as an entrepreneurial, business-like entity that needed to compete for private investments. Neoliberalism entered the mainstream of federal ideology in the late 1970s, as macroeconomic problems such as stagflation and rising interest rates spurred the U.S. and Britain to emphasize cuts to social spending and the deregulation of industry (Harvey 2005). The 20th century creation of a number of global, quasi-governmental financial institutions – such as the World Trade Organization, World Bank, and the International Monetary Fund – were significantly influenced by neoliberal notions that freely operating, large-scale capital markets could best spur international development (Brenner and Theodore 2002). The neoliberal turn essentially represents a modern resurgence of the laissez faire mentality that originally inspired the growth of an international trading economy from the Enlightenment through the Industrial Revolution. As such, it provides a theoretical foundation for emphasizing the efficiencies, growth potential, and seeming inevitability of globalization (Soja 2000). As an ideological shift from 'government-as-manager' to 'government-as-entrepreneur,' neoliberalism shares much in common with Miller's (1978) observation of an 18th century shift towards municipal growth promotion.

In the actual functioning of political economies, however, many authors observe a serious rift between neoliberal ideology and practice. Harvey (2005) observes a number of internal tensions within neoliberal policy: the tendency for economic competition to

produce monopolies that maximize efficiency but work to prevent free market competition; market failures, especially related to environmental externalities (e.g., pollution), under which neoliberalism has no solution; and differential access to market information among actors, which although equal in theory, is rarely accomplished in practice and can trigger unfair advantages in the absence of government regulation. Thus in reality, “there are enough contradictions in the neoliberal position to render evolving neoliberal practices...unrecognizable in relation to the seeming purity of neoliberal doctrine” (Harvey 2005, 21). Brenner and Theodore (2002) highlight these contradictions by coining the idea of “actually existing neoliberalism,” under which they observe that governments paradoxically intervene *more*, not less in specific economies in order to enable capitalists to tap new sources of profit. These authors emphasize that neoliberal restructuring initiatives are always pursued “within national, regional, and local contexts defined by the legacies of inherited institutional frameworks, policy regimes, regulatory practices and political struggles.” As a result, reforms rarely represent the holistic, egalitarian implementation of free market principles, and instead tend to open specific deregulatory windows for pre-existing, highly capitalized actors to exploit. “This creates the paradox of intense state interventions and government by elites and ‘experts’ in a world where the state is not supposed to be interventionist” (Harvey 2005, 69).

Brenner and Theodore (2002) explicitly connect the neoliberalization of government policy with the spread of uneven geographical development. Ideologies of deregulation and privatization have helped transfer political power away from government and towards the “governance” of public-private partnerships, where businesses can have greater sway over public policy in order to secure better business

outcomes (Harvey 2005). This allows capitalist actors in specific regions to tailor government policy to provide needed “spatial fixes” for overaccumulation crises (e.g., public policies enabling specific types of land development favored by highly capitalized developers). Not only do these governance strategies allow for more profitable, less risky ways to “produce space,” but public-private alliances also provide stronger tools to regulate the inherent instabilities of overaccumulation and uneven development (Brenner and Theodore 2002). The consequence of these less democratic forms of governing, however, is that the playing field is inherently tilted towards existing business interests, and successes are increasingly predicated upon the backs of smaller actors, increasing social inequality in the process. Yet despite this reliance on interventionist governance, neoliberal actors continue to advocate ideologically pure notions of free markets, even going so far as to suggest the “natural” qualities of unfettered capitalism. In fact, many advocates propose that naturally free trade is always the best way to encourage growth in underdeveloped economies, despite Chang’s (2003) assertion that the history of capitalist development in Western economies suggests that interventionist and protectionist policies were crucial in the initial growth of industrial economies. Thus in history as in modern advanced economies, neoliberal ideology has functioned more as a rhetorical smokescreen to obscure actual interventionist policies benefitting specific actors and less as an actual framework for policymaking.

Exchange Value vs. Use Value

The neoliberal capitalist production of space involves a growing willingness to use the potential for profit as a fundamental method of calculating the value of

possessions, experiences, and other goods at the root of social life. Although the practical use value of a good and its monetary exchange value on the market are intertwined in most conceptions of economics, critical theorists argue that the development of capitalism has represented a generally steady movement towards emphasizing exchange value first and foremost. Before delving into the tension between exchange and use value, however, it is helpful to understand the historical processes that contributed to this rift.

When expounding upon the production of space, Lefebvre (1973) argues that an ideological shift from relational to abstract understandings of geographical space marked a crucial turning point in Western history. The long transition from feudal to capitalist society involved a shift in economic power from country estates to towns, and then from towns to large industrial cities during the Industrial Revolution. In both of these shifts, relatively self-contained, localized economies became progressively larger and more abstract, as the volume and scale of trading networks expanded and the social relations underlying them became necessarily more complex. Harvey (1996) notes that this transition meant not only new abstract understandings of space, where land was no longer simply a local asset, but also a shift towards abstract, regulated conceptions of time. Whereas medieval definitions of space and time were closely related to local socio-economic practice, Enlightenment notions of Cartesian rationality spurred the implementation of mathematical notions of time, imposed from distant political centers rather than “given only in experience itself” (Harvey 1996, 214). This “progressive abstraction of space from matter” (Smith 1984) helped establish new rules for social relations that opened windows for capitalist profitability. Universally regulated time became a tool for increasing the efficiency and productivity of society, while a break

from purely local land use allowed the transport and industrial land uses crucial for accelerating the pace of trade and capital accumulation. This movement towards “time-space compression” (Harvey 1996) – essentially a combination of scalar and efficient growth predicated upon social and technological change – continues today as a source of economic growth. “In place of the face-to-face monitoring and interpersonal relations that [historically] characterized social interactions in time and place, trust in rational symbolic systems (such as money) and expert systems allows for social institutions to exist on a global scale, deterritorialized or disembedded from geographical location” (Westley et al. 2002, 109). Yet while this movement towards socio-economic abstraction has been crucial for the complex trade at the foundation of the modern world, and can be utilized to anticipate and react to global problems (Westley et al. 2002), critical theorists argue that the very delineation of a common spatio-temporal framework is an inherently political act that shifts the basis for socio-economic power (Lefebvre 1973; Harvey 1996).

The shift from relational to abstract time-space was clearly reflected in the changing attitudes towards land use in medieval European cities on the cusp of capitalism, aptly detailed by Vance (1971). Land use in the precapitalist medieval city was mainly conceived in terms of intended use, from the burgh plots of men with city business to medieval guilds involved in urban craft production. Plots of land were valued by their owners for specific local purposes, and non-functional property ownership was discouraged by the Christian Church. Yet as capitalism emerged from the 13th to 16th centuries, the shift towards abstract space meant that city land was increasingly seen as an asset in itself. City population growth increased demand and allowed the profitable

resale of urban property, and land became viewed as a source of income in a more market-oriented society. Land rent emerged as an organizing principle of land use, and the value of location became more generally defined in relation to market activity instead of specifically based on an owner's business. As capitalism broke down feudal markers of social status, replacing them with accumulated wealth and the spatial clustering of elites, capitalized land became a crucial tool to enable patterns of segregation that could replace old social relations. By the 17th century, private property had been freed of older religious taboos, and income derived from non-productive uses of urban land became fully naturalized. Whereas previously land had been only endowed with use value, the nascent capitalist city now had to wrestle with defining land in terms of both use and exchange value, simultaneously.

Although neoclassical economists and critical theorists differ on the fundamental sources of economic value (e.g., from laboring, assuming investment risks, etc.), they agree that value is ultimately realized by the nebulous concept of utility. In an ideal world, the use value and exchange value of a good are intimately betrothed, and exchange value cannot be divorced from the product's underlying utility to a consumer. Many modern critiques of capitalism, however, argue that not only has exchange value been divorced from use value, but such monetary valuation has taken a life of its own, fully disconnected from practical utility and prone to generating socio-economic instability. Daly (1996), contrasting monetary wealth with "real," commodity-based wealth, argue that there is drastic difference between producing a commodity and selling it at profit, then reinvesting money in future commodity production (e.g., commodity (C) → money (M) → C), as opposed to using existing capital reserves to invest in commodity

production, with the purpose of accumulating capital ($M \rightarrow C \rightarrow M$). This is the essential difference between a market economy and a capitalist economy.

As advanced capitalism becomes increasingly neoliberalized, the power of financial capital disconnected from utility grows significantly. Finance capital “treats money as a ‘thing-in-itself’ and thereby constantly tends to undermine the production of value in pursuit of the form rather than the substance of wealth” (Harvey 1985, 88). Neoliberal finance increasingly involves numerous layers of abstraction from the production of utility, as stocks, securities and even more complicated financial products are traded anonymously on globalized electronic markets. Daly and Farley (2003) observe that such financial transactions ($M \rightarrow M$) total more than 20 times the financial value associated with the production of concrete goods and services per year. Many finance capitalists even profit from betting on the decline of markets, an immensely counterintuitive practice that has become normalized in modern times. Essentially, financial speculation has moved from the fringes to the core of economic development, obscuring use value in the process. Without rapid economic growth, “the only possible explanation is that if those who produce nothing are earning, through speculation, more money that entitles them to more real wealth, then those who actually do produce something must be becoming entitled to increasingly less wealth” (Daly and Farley 2003, 257).

Cronon’s (1991) detailed history of Chicago’s industrial emergence in the mid-19th century, including its role as a transport hub for the midwest’s massive grain trade, clearly illustrates the historical shift from a tangible market economy to a capitalist system of abstract commodities. Up until the 1840s, midwestern farmers sold their grain

in individual sacks through networks of shippers and traders, such that end users ultimately transferred money to actual grain producers; in this system, “the link between grain as physical object and grain as salable commodity” was never broken and “the rights to actual sacks of physical grain” were ultimately sold (Cronon 1991, 109). Yet the advent of a host of shipping technologies such as railroads and grain elevators drastically changed the structure of grain markets over the next few decades. These technologies exponentially increased the scale and efficiency of the grain trade – a massive accomplishment that made worldwide food supplies greater and more reliable – but in the process introduced a number of organizational abstractions that increasingly severed the links between producers, consumers, traders, and the distribution of wealth. Close partnerships between railroads and grain elevators allowed scalar and efficient growth predicated upon issuing monetary “receipts” to grain producers and categorizing a high variety of grain qualities into a small number of standard grades. These abstract conventions, in turn, allowed the rapid growth of a futures market in grain where speculators were able to profit on expected future grain price changes without tangibly possessing or shipping grain; like in modern times, these “M → M” transactions quickly outpaced the actual value of traded grain twenty fold within a few decades (Cronon 1991, 125). This abstract commodification was further extended when Chicago’s Board of Trade began selling rights to trade grain on the open market – “a market in the market itself” (Cronon 1991, 146). Thus the structural shift in midwestern grain markets represented the increasing dominance of exchange valuation over use valuation – a change that, while allowing the scalar growth of the industry, increasingly privileged

transactional middlemen who could profit from abstracted value while increasingly severing the link between producer and consumer.

The conflict between use and exchange value, to critical theorists, represents a crucial component in theorizing uneven spatial urban development (Lefebvre 1973; Harvey 1985; Merrifield 2002). Overaccumulation crises in the primary circuit of production spur investment in the secondary circuit of the built environment, and the very act of switching investments “cannot be accomplished without a money supply and credit system that creates ‘fictitious capital’ in advance of actual production and consumption” (Harvey 1985, 7). Thus secondary circuit investments are naturally speculative by nature, ignoring pre-existing use values in favor of future exchange values. To Lefebvre, the secondary circuit is in fact fully supplanting the primary circuit in modern economies (Harvey 1985). This spatial fix is enhanced when real estate is devalued prior to investment, either through the physical neglect triggered by institutional practices (e.g., redlining, milking) or by the vagaries of finance markets (e.g., devaluation of existing office space held in trusts, regardless of the physical space, see Harvey 1985, 23). Ultimately, transferring exchange valuation from discretionary goods to the entirety of urban space is inherently problematic because, unlike material goods that can be purchased on a whim based on individual notions of utility, all human beings must exist and thrive in physical places where use value is unavoidable. Most often, the use value of urban space is also indefinable and non-transferrable, introducing a fundamental conflict at the heart of social life. As Harvey (1985, 88) summarizes, “the perpetual tendency to try to realize value without producing it is, in fact, the central contradiction of the finance

form of capitalism. And the tangible manifestations of this central contradiction are writ large in the urban landscapes of the advanced capitalist nations.”

Exchange Valuation in Modern Planning and Development

Critical theory is a powerful tool for understanding the capitalist urbanization process, but it is important to compare the ideological purity of theory with the specific history of planning and development trends in modern cities. As the following sections illustrate, the exchange valuation of urban property has grown in importance since the advent of capitalism and has reached new heights in modern urban and suburban development.

The advent of zoning policy as a tool for municipal land use planning represents a distinct shift towards an exclusionary, exchange value-based conception of urban land. Zoning first originated in central California in the 1880s as a municipal policy intended to regulate the siting of Chinese laundries (Hall 2002). Yet it became widely known as a public policy approach through New York City’s 1916 zoning ordinance, which regulated building heights and massing in certain Manhattan districts. Considered by modern scholars as “the most significant development in the early history of American city planning,” zoning policy emerged initially to organize and codify the variety of laws intended to protect residents from urban health risks, such as polluted air (Rosen 1997). Yet zoning policy quickly became a legal technique used to protect private property values and exclude certain classes or races from high status areas (Hall 2002, 60). In fact, the 1916 ordinance was derived to protect the real estate values of wealthy property owners along high status Manhattan avenues from the ongoing encroachment of Garment

District factories and the low-income, often immigrant laborers who worked there (Hall 2002). The practice of zoning quickly spread across the United States in the 1920s, aided by the diffusion of standard zoning templates, and zoning policy became legally validated in the Supreme Court's 1926 Village of Euclid et al. v. Ambler Realty Co. decision (Hall 2002). Ultimately, zoning became a popular policy technique in large part because it could be used as a tool of ethnic and class segregation (Hall 2002) – where the notion of disorderly or undesirable land uses became a proxy for the presence of the “other” – and arguments for protecting property values often became intertwined with exclusionary goals (Lees et al. 2008).

Zoning represents simply another step in the ongoing shift from conceiving urban land use as a productive opportunity, based on the independent use of land, towards a monetary valuation of urban land where location, status, and value are intertwined. When viewed simply as a policy technique, zoning codes do not have to be exclusionary and can be constructed in an inclusionary manner to encourage diversity (e.g., modern form-based codes or generative codes). Zoning essentially represents an institutional recognition that neighboring land values are interdependent, and society can use zoning codes and tax structures in conjunction to decide who benefits from proximity to value. In historical practice, however, zoning ordinances have usually been used as a tool for capturing the benefits of high values for specific classes, races, or districts – separating the interdependency of property value from the larger interdependency between people in a complex society. In the process, zoning has legally encoded the exchange value mentality towards the use of urban land.

Another drastic lurch towards exchange value-based urban development occurred with the advent of master-planned suburban communities, or “common interest developments (CID),” in the 1960s. In 1964, after strong lobbying from private development industry groups, the Federal Housing Administration adopted policies supporting the creation of CIDs managed by private homeowners associations (HOAs), where all new public spaces created by developers of large communities would be privately owned and maintained (McKenzie 1994). Instituted as a way to shield municipal governments from paying the costs associated with suburban growth, transferring these costs instead to developers and new CID property owners, CIDs and HOAs equally became ways to protect private property values and exclude non-paying members of the larger community (McKenzie 1994). Developers favored CIDs because they could be configured to replace private open spaces like yards with common spaces like clubhouses, freeing up more land for profitable development, while master planning and aesthetic restrictions could be used to avoid the stigmas of denser development and raise sale values (McKenzie 1994). Many residents or property owners also preferred CIDs because planning and design restrictions were seen as ways to preserve property values. By replacing municipal government with private management, and the mutability of democratic laws with developer-endowed covenants and restrictions, CIDs promote the “corporatization of the home” and act as “a type of business, where efficient property management saves money and increases the value of owners’ investments” (McKenzie 1994, 142-143).

In a study of the master-planned community of Anthem outside Phoenix, Romig (2004) notes that the developer created an array of community events and social

structures that support the marketing of Anthem as a family-friendly, close-knit neighborhood. As a result, “the strong community structure in Anthem does not have a populist, organically developed sense of community shaped over time, but a manufactured, commodified dynamic set in place to sell houses” (Romig 2004, 4). Anthem essentially promotes a “scripted” lifestyle that originates from a profit motive, and strongly restrictive HOAs represent the trading of “personal property rights for stability” in property values (Romig 2004, 13). Anthem property owners capture monetary value in other ways too: since the community is located on unincorporated land, far from the center of Phoenix, property owners can avoid paying into the metropolitan area’s tax base even as they derive employment and utilize the services of neighboring municipalities. Highway congestion derived from the completion of Anthem prompted authorities to expand the highway near the town, essentially representing a transfer of subsidies from state taxpayers to Anthem’s developer and property owners.

CIDs have been successful partly because they serve as a convenient, large-scale vehicle for capital investment in real estate and the built environment. In an obvious example of capital movement from the primary circuit to the secondary circuit, many large corporations involved in productive industries became involved in CID investment and development in the 1960s. Companies such as US Steel, General Electric, ALCOA, Ford, and MetLife all began to invest in CIDs in this time period, encouraged by Federal Housing Administration support for the CID model and the profit-making possibilities of such large-scale development (McKenzie 1994). In fact, one author notes that between 1960 and 1975, as much as one third of the top 1000 U.S. corporations developed real estate departments, especially companies involved in the oil, food, chemical, paper, and

machinery industries (Feagin 1982). The nature of the land development business changed significantly, as enterprises not previously engaged in development flooded the market with capital – often from stock market holdings rather than traditional bank loans – and used corporate acquisitions, joint ventures, or the creation of development and finance subsidiaries in the process (McKenzie 1994). These changes represent a tangible example of how financial capital began to outpace industrial power in the latter half of the 20th century, further altering the valuation of urban property. “They brought with them billions of dollars in capital, the view that housing was just another mass-produced consumer commodity to be sold at a profit, and a penchant for the sort of highly sophisticated financing schemes used previously in other corporate enterprises” (McKenzie 1994, 100). The federally encouraged flood of capital into CIDs helps explain their rapid spread in modern cities, especially in Sunbelt cities experiencing rapid growth in this period. As a result some cities do not offer many housing alternatives to these privatized, restricted communities, especially for residents constricted by price or location. As McKenzie (1994, 147) observes, “as the real estate market consolidates at the large corporate level, the opportunity for real choice among CIDs – that is, for meaningful choices among different lifestyles and regimes of rules – may be diminishing.”

The concept of “actually existing neoliberalism” (Brenner and Theodore 2002) implies that while new policies are advocated under ideologies of freedom and market choice, their actual implementation involves using political influence to alter government policies and incentive structures. The spread of CIDs with HOAs, and urban sprawl more generally, is often explained by the free market, where the financial success of such

developments is used as evidence of their desirability. The inherent scarcity of urban land, and the history of land use regulation advocated by interest groups, however, point to the difficulties of conceiving land as a free market commodity. Levine (2006) presents a strong counter-argument against the common perception that urban sprawl is a product of the free market while planning interventions aimed at higher density represent intrusions into market equilibrium. The ubiquitous spread of low-density zoning ordinances, promoted by the selling of “one-size-fits-all zoning kits” from private companies (Kunstler 1996), have changed the baseline of planning policy debates regarding urban development such that suburban regulations are almost considered a product of the free market itself (Levine 2006). This “fundamental reinterpretation” of land use planning means that “municipal land-use regulation is itself interpreted as a market force, or at least as something other than governmental intervention into the workings of the private market” (Levine 2006, 5). Levine (2006) argues against this reinterpretation, documenting cases in which free market forces would actually promote higher-density, non-suburban style development in the absence of generic zoning ordinances and political opposition. Like McKenzie (1994) and Storper and Manville (2006), Levine (2006) sees the promotion of a variety of housing choices and opportunities as a central goal of urban planning, and notes the ways in which interest groups can use ideology to entrench specific types of public policies benefitting specific actors. From a more critical perspective, Harvey (1985, 122) agrees, stating that “we can...interpret the preference for suburban living as a created myth, arising out of possessive individualism, nurtured by the ad-man and forced by the logic of capitalist accumulation.”

As indicated in Chapter 1, housing options and opportunities are critical for the promotion of sustainable urban development, and a diversity of choices is directly related to the pursuit of use value. A use value mentality maintains that different properties, neighborhoods, and lifestyles are not interchangeable, based on pricing economic utility. The advent of zoning regulations and privatized communities, focused on exclusion and the protection of property values, both represent extensions of a growing mentality emphasizing exchange valuation of urban land over use valuation.

Land Speculation

Speculative ownership and development of land, which can assume many forms, represents one of the most fundamental ways in which exchange value has begun to dominate use value in the production of urbanized space. Speculation is defined here as the act of purchasing or maintaining ownership of land to explicitly profit from an anticipated rise in surrounding land values. Improving land alone can raise the value of land and allow for profitable sale, but here land speculation describes a separate but parallel phenomenon where profits are augmented by gains in neighboring or even city-wide land values.

In the most general sense, speculation is a “synonym of investment” and can refer to the time horizon of investment; when referring to land, the definition of speculation is “bound up with the question of the optimal timing of development” (Malpezzi and Wachter 2005, 145). “Pure” speculation involves buying and selling that relies “mainly on anticipated increases in price” without considering the earnings of an asset (Lowe 1975). Many observers note that speculation can have significant benefits for markets

(Lowe 1975; Swierenga 1977; Foldvary 1998). Foldvary (1998) lists an array of ways in which speculation benefits markets, such as hedging risk, increasing liquidity, improving market efficiency, and reducing price swings. “The most important market-enhancing function of speculation is to transfer risk from those who buy and sell goods for production, investment, and consumption to those who buy and sell for speculation. Producers hedge against the risk of adverse price fluctuations in the products they sell as well as in their inputs, along with hedging against changes in currencies and interest rates. Futures markets not only transfer risk, but also transform uncertainty into hedgeable risk” (Foldvary 1998, 617). Thus when professional speculators enter a market, they provide reduced market uncertainty to the producers of tangible goods; when these speculators study markets in detail, they help to more accurately determine the value and prices of goods, both increasing market efficiency and helping to “reduce the amplitude of price oscillation by correctly anticipating shifts in supply and demand” (Foldvary 1998, 618). By “thickening” a market, speculators add more buyers and sellers and thus allow easier market transactions. Procapitalist historians studying American land speculation emphasize these positive benefits, adding that they served a crucial role as middlemen between a passive government bureaucracy and economically inexperienced settlers, and helped expedite frontier development through boosterism (Swierenga 1977).

Land speculation, however, is a fundamentally different phenomenon because, unlike produced assets, land supply is fixed and sites are geographically unique. The relative lack of interchangeability diminishes the ability to hedge against price volatility (Gaffney 1994; Foldvary 1998). “If a tenant fears a hike in the rent in the neighborhood due to speculative buying, there is no market in which to hedge with put options or short

sales. There is no ability to spread risk over time and across owners” (Foldvary 1998, 622). Furthermore, land is more proportionately valuable in the general economy than commodities due to the emplaced nature of being, and the land market is more dependent the banking system, long-term borrowing, and the stability of assessed property values and long-term interest rates (Gaffney 1994; Foldvary 1998). Plus when speculation is accompanied by seeking zoning changes or producing development plans, speculation can actually change the nature of the commodity (land) itself (Lindeman 1976). These fundamental differences between land markets and other asset markets have been identified by many authors who argue that land deserves special treatment – and regulation – as a unique factor of production (Gaffney 1994; Foldvary 1998).

In a study of speculative house “flipping” in southern California during the most recent housing boom, Bayer et al. (2011) note the positive aspects of flipping – such as adding market liquidity, housing renovation, and refining market values through professional evaluation – but argue that many recent investors did not contribute these functions. Citing Glaeser’s (2013) overview of American real estate speculation, the authors note: “It is the information content of this speculation that matters. If, in fact, this new class of speculators bought homes without exploiting any meaningful information about market fundamentals, there is essentially no scope for their activity to have improved market efficiency, regardless of whether they behaved rationally. Thus, whether speculators acted with superior information emerges as a key test for understanding their impact on the market during the recent boom” (Bayer et al. 2011, 3).

The authors postulate that there are two fundamental types of speculators: professional “middlemen” who study markets, find underpriced properties (often due to

“desperate” or “motivated” sellers), and sell at profit regardless of market timing or speculative booms; and simple speculators, who receive profits purely through market timing (Bayer et al. 2011). This argument closely parallels a shared hypothesis among many authors: speculative booms start with professional speculators who closely analyze market information, but as they progress, more and more novices enter the speculative market simply to take advantage of rising prices, ultimately triggering housing bubbles and eventual market collapse (Lindeman 1976; Foldvary 1998). One news article from the height of the recent boom documents exactly this phenomenon, noting the influx of novice investors in the speculative housing market – some flipping pre-sold condominium units at profit before construction had even begun (Rich 2005). In this way, land speculation – like other asset bubbles – can lead to overheated markets driven largely by the self-fulfilling prophecy of market optimism. “As a boom builds up, more and more speculators are lured into participation; their added influence serves to fuel the fire. A record of successful deals begins to build up; speculators become less cautious” (Lindeman 1976, 147). In this way, housing market booms driven by speculation have a “psychological foundation” separate from market fundamentals (Lindeman 1976, 148; Foldvary 1998; Malpezzi and Wachter 2005). Far from correcting market price oscillations, speculative booms can exacerbate fluctuations, prevent proper market functioning, and destabilize economies and human lives – an observation first made by 19th century activist Henry George (Foldvary 1998; Triantafyllopoulos 2010). In fact, a number of contemporary analyses suggest the influence of non-professional speculators in driving, not responding, to the mid-2000s housing bubble (Bayer et al. 2011; Chincó and Mayer 2012).

The history of land development in London indicates that land speculation is as old as capitalism itself. Vance (1971, 107) observes that rapid population growth and increasing economic activity in 16th century London not only changed the nature of property use but also “introduced the notion of speculation in land values and building.” Emphasizing the importance of scalar growth for speculative strategies, he writes: “Just at the time that the notions of land as property were being bruited, the opportunity to profit from overall city growth arose. If the merchant had occupied a house on a main street with his traditional occupation-family group, he might now think about moving a part of that body to some other spot, leaving the traditional burger's house for economic intensification of use” (Vance 1971, 109).

By the 18th century in London, speculative development based on rising land values had jumped from individual initiative to corporate strategy. Residential land developers began planning whole neighborhoods of housing, complete with squares and shopping areas, and they often placed the landowners' house prominently on the main square as an upper class anchor to attract prospective buyers (Vance 1971). By the end of the 19th century, the advent of the London subway system and electric tram “feeder” lines extending from subway stations opened whole new swaths of the urban fringe to profitable residential development. Entrepreneurs like Charles Yerkes and Frank Pick helped construct these lines specifically to profit from residential development, and they led to “an explosion of speculative building” around London (Hall 2002, 66). Many of London's working class neighborhoods declined in monetary value in the 20th century, and this devalued real estate was increasingly capitalized upon by middle class “gentrifiers” who invested in housing in specific neighborhoods like Barnsbury (Lees et

al. 2008). Although gentrification is not necessarily synonymous with speculation, neighborhoods like Barnsbury, where a critical mass of investment capital triggered upwardly spiraling property values, often provide fertile ground for speculative strategies based on land value trends. Speculative development is not confined to England, of course, and it was so common in the history of the United States (Glaeser 2013) that Thorsten Veblen declared that “speculation, not baseball, should be seen as our true national pastime” (Davis 2010, 4). Logan and Molotch (1996, 294) emphasize that urban boosters across the country were motivated by speculative profit, observing that “these urban founders were in the business of manipulating place for its exchange values.” Urban professionals like lawyers or merchants often transformed into bankers and finance capitalists when fortunes were available from growth-based land speculation, and these individuals helped perpetuate a culture in which the exchange valuation of urban space became socially and politically unassailable (Logan and Molotch 1996).

In modern American cities, land speculation is so entrenched in political economy that it is hard to separate use from exchange value in residential developments. Applying a legal perspective to modern, large-scale suburban developments in cities like Las Vegas, one author observes that “residential real estate has long been viewed as a commodity similar to stocks and bonds that can be leveraged, purchased and sold with limited restrictions” (Pindell 2005, 548). The speculative buying and selling of new residential properties, often based purely on land value increases and not upon home improvements, can artificially inflate property markets and prevent local residents from attaining affordable housing. This exchange value mentality has legal ramifications, since “conceiving of residential real estate primarily as a commodified asset rather than as a

shelter or social asset affects society's approach to urban property questions” (Pindell 2005, 549). As a result, public land use policy has become legally conflicted, and municipal governments looking to encourage affordable, owner-occupied housing only have limited tools to regulate speculative activity. Governments are also hesitant to address housing speculation due to the political backlash often triggered by addressing private property rights, and because they benefit in other ways from rapidly increasing property values. In many modern developments, developers see short-term speculation as having a negative impact on their business model, and they have taken the initiative themselves to prevent speculative purchasing through deed restrictions on renting, short-term resale, and absentee ownership (Pindell 2005; Rich 2005). Ultimately, Pindell (2005, 566) observes that “to the extent that land speculation is harmful, it is harmful in large part because the supply of land is inelastic. No one will produce more land in response to higher prices caused by speculation.” Speculative investors capitalize upon the inherent scarcity of land because the very act of betting on rising land values through investment tends to encourage a bullish market, leading to a self-fulfilling prophecy of upwardly spiraling land prices. It is easier to bet on rising prices by investing than to short property, and the scarcity of land prevents housing market competition that could challenge inflated prices (Pindell 2005).

Critical theorists and other observers seize upon the ways in which the scarcity of land, in conjunction with the self-fulfilling prophecy of speculative investment, leads to market failure and adverse, inequitable social outcomes. When scarce land becomes a form of “fictitious capital,” land owners are able to leverage scarcity into higher rents if they do not compete too fiercely with one another (Harvey 1985). This phenomenon is

described by the idea of “class-monopoly rent,” where “speculator-developers” as a group can better assure a high rate of profit for all if they can control land supply and business risk through political mobilization (e.g., through zoning and planning decisions) while encouraging public investments that universally raise property values, often through strategies of place promotion (Harvey 1985, 68). The manipulation of land scarcity applies not only to residential development, but to vacant land as well. Kunstler (1996, 198) argues that when centrally located urban land is left fallow by owners, it becomes “a form of hoarding... It takes prime land off the market and puts it in long-term cold storage, creating an artificial scarcity, which drives up the price of the land that is on the market.” Raco (2005) claims that this is a widespread phenomenon in England: the number of development permissions received by home builders was three times the actual number of construction starts from 1997-2003, a trend driven by an effort to control supply and profits rather than market demand. One study from Toronto indicates that abandoned properties in gentrifying neighborhoods may sometimes lay vacant for a decade or more due to speculative holding (Wachsmuth 2008). In one case, three full blocks of deteriorating housing lay vacant for a decade or more, as a group of investors attempted to buy up the entire area for high-rise redevelopment; when the city denied their plans, the properties simply remained vacant, held in speculative ownership indefinitely (Wachsmuth 2008). It is unclear from this study, however, if such large-scale speculative holding has indeed induced scarcity that contributes to rising land values, since abandoned property can depress property values as well.

When addressing the redevelopment of existing, economically depressed urban neighborhoods, a process that often leads to gentrification and displacement of lower-

income residents, it is important to understand the “rent gap” concept. The rent gap describes the difference between a property’s “capitalized ground rent,” or the actual rents paid by tenants based on current land use, and the “potential ground rent,” or the rents that could be earned if the property was renovated to “highest and best use” (Lees et al. 2008, 53). Over time, capitalized ground rent will tend to fall if reinvestment does not match entropic deterioration of building stock, while in a growing metropolis potential ground rents will tend to rise steadily. Gentrification and displacement are triggered when the rent gap grows large enough to attract developers (or speculators in advance of developers) who can turn a profit from this difference even after the costs of purchase and rehabilitation are added. If landlords in depressed neighborhoods anticipate these processes, the rent gap tends to provide perverse disincentives to rehabilitate rental housing. “It becomes rational and logical for landlords to ‘milk’ the property, extracting capitalized ground rent from the tenants, spending the absolute minimum to maintain the structure, and waiting as potential ground rent increases in the hopes of eventually capturing a windfall through redevelopment” (Lees et al. 2008, 53). Aalbers (2006) observes that property milking is a significant trend in depressed Rotterdam neighborhoods, helping exacerbate the existing physical decline of neighborhood housing stocks. Yet it is important to note the ways in which institutions can incentivize landlords to focus solely on the exchange value of land. In one Rotterdam neighborhood, property milking is widespread in part because “some owners (rightly) assume that a social housing association, a private developer or a city agency will try to acquire their property. This is also a form of speculation” (Aalbers 2006, 1075). In this case, some landlords will milk properties, sell them to public authorities at profit, and use the profits to buy more

depressed properties in advance of future public redevelopment initiatives – essentially speculating based on anticipated government policy.

The way in which speculative profiteering becomes a self-fulfilling prophecy, through class-monopoly rents, is magnified when developers are able to steer the financial and government institutions responsible for land use investment and regulation. The most widely recognized form of this is “redlining,” where financial institutions establish zones in inner cities where properties are considered too depressed to qualify for redevelopment loans. This practice was especially common in mid-20th century American cities and was explicitly supported by federal policy (Metzger 2000; Lees et al. 2008); it was often paired with “blockbusting,” or the practice where speculative developers used racist fears among white homeowners, paired with an influx of new black residents, to convince whites to sell at artificially low prices that created the basis for future sales profit. Redlining is the most overt way that the private sector can influence public policy to simultaneously increase urban land scarcity and devalue properties – and allow the capture of class-monopoly rents. When institutional redlining restricts the geography of capital, investment is more narrowly confined to other areas, increasing the chances that such investment becomes a self-fulfilling prophecy of upward trending property values, speculation, and profit. In addition, the “neighborhood life cycle theory” – the notion that all urban neighborhoods go through “natural” processes of decline and reinvestment – was used to normalize a process that essentially represented a public-private profiteering strategy (Metzger 2000). Ultimately, property milking, redlining, and blockbusting all represent strategies for devaluing land to allow for the spatial fix of profitable capitalist

redevelopment; all rely on not only privileging exchange value, but on destroying use values to increase exchange value.

A number of historical and contemporary case studies confirm that speculative strategies often do not exist in the political vacuum of ideal economic functioning, but are rather predicated upon extracting value from government initiatives or from the public domain. In America's colonial history, land speculation strategies were often predicated upon using political connections to obtain public land rights at a discount, then using that discount to turn a profit. In both 17th and 18th century New England, speculators attempted to use political influence to purchase large tracts of land from the English crown and resell land at profit to smaller investors (Grant 1955; Lewis 1974); Robert Morris, at one time the richest man in the American colonies, was imprisoned for bankruptcy in 1798 after his land speculation schemes in western New York State failed (Glaeser 2013). In 19th century America,

“The typical speculator's gambit was to form a 'company' which would bid for massive grants from Congress or the state legislatures, generally on the pretext of promoting colonization. Once a grant was obtained - and it never hurt to be generous with bribes - the land would be divided and resold to settlers, or, more likely, to other speculators.”... Such land speculation goes beyond pure speculation over the future, being a monopolization of an asset to obtain market power, and thus much of the impact, such as on the concentration of land tenure, was due to monopolization as such rather than to pure speculation. (Foldvary 1998, 621, quote from Barnes 1971)

When speculators seek and receive zoning entitlements or other legislative benefits that increase the value of land, and then sell at profit based on that received value, it represents a speculative strategy that is similarly predicated upon appropriating public value. Foldvary (1998, 622) notes that “this rent seeking by land speculators has little or no parallel in other forms of speculation, especially because currency, metals, grain, and stock markets are global.” In other situations, speculators take advantage of larger government economic programs or redevelopment efforts to profit. In one study of real estate speculation in the Greek tourism industry, Triantafyllopoulos (2010) notes that the Greek government began to heavily subsidize regional tourism development in the 1960s through capital and interest rate subsidies. Through speculative sales and rising land values, much of these tourism subsidies were essentially transferred to the land market, creating a mismatch between the price of land and the cost of profitable development that was counterproductive to the subsidy program’s development goals. Thus government actions can often have unintended effects on property markets, encouraging “pure” speculation based on received public value.

When exchange value is extended to the entirety of urban space, promoting land prices increasingly dissociated from productive values and compromising basic economic concepts of supply, demand, and utility, Lefebvre (1973, 337) warns that a new ethic of development is enabled where “fraud itself now becomes a law, a rule of the game, an accepted tactic.” Although this may be an exaggeration, a few studies of land value speculation indicate that exchange value mentalities combined with the deregulatory fervor promoted by neoliberalism sometimes offer opportunities to profit based on fraudulent practices. A study of the market for vacant and abandoned properties in inner

city Cleveland indicates that, in foreclosure sales by private or government entities, properties bought by high volume property buyers (those that buy four or more properties over three years) tend to have longer-term vacancy rates and higher rates of tax delinquency than parcels bought by small-scale investors and individuals (Ergungor and Fitzpatrick 2011). Since property taxes do not have to be paid upon a transfer of ownership in Cleveland, high-volume speculators with enough capital can buy properties from foreclosure auctions, hold them without paying taxes, and then sell them at a profit, often to unsuspecting buyers.

When a homebuyer applies for a mortgage, the bank requires that all claims on the property, including tax and code enforcement liens...[and] past-due taxes that have not yet become liens be paid prior to closing, so they do not supersede the bank's claim on the property. But speculative home purchase transactions are not always funded through the banking system. If investors pay cash or secure nonbank seller financing, they can postpone paying off liens, past due taxes, and housing code assessments against the property, often for many years. (Ergungor and Fitzpatrick 2011)

Yet not only does tax delinquency allow speculators to improve their profit margins, but it often represents the core of their business model and the source of their competitive advantage.

How is this strategy profitable? When buying foreclosed or lender or real estate-owned properties, irresponsible buyers have a built-in advantage over rehabbers. While rehabbers must take into account the costs of improvements and delinquent tax payments, speculators who plan to flip the property at a quick profit don't, so

they can bid higher. Typically, after taking over the property, the speculator sells it as soon as possible to an unsuspecting out-of-state (or even out-of-country) buyer who believes the property is a great investment. (Ergungor and Fitzpatrick 2011)

The authors found that these speculative trends were a significant force in Cleveland's property market, simultaneously skewing land values and propagating cycles of neighborhood decline. Back taxes on properties bought from such speculators are often higher than the property value itself, and when this is discovered, properties may go back into tax foreclosure and be resold to another high-volume speculator. These properties, which tend to stay vacant longer than individually-bought parcels, tend to deteriorate and help perpetuate cycles of neighborhood decline and blight while local municipalities are deprived of tax revenue (Ergungor and Fitzpatrick 2011). The fundamental fraud at the core of the scheme – enabled by lax regulation and a game-like mentality towards urban land – is predicated upon complete ignorance of the use values that existing residents associate with their neighborhood land.

The practice of house “flipping,” which is common in fast growing urban areas with steadily rising property values, involves purchasing a home, making aesthetic improvements, and reselling at a profit. In some cases like Baltimore, however, widespread flipping is conducted based on fraudulent land appraisals rather than consistent city growth (Cohen 2001). In fact, a predominant emphasis on exchange value in property markets places extreme importance on the process of land appraisal and opens the door for fraud. The best example of this can be found in the massive Savings and Loan scandal of the 1980's, a fraud which triggered a taxpayer bailout approaching \$500

billion (Calavita et al. 1997). Directly spurred by federal actions which deregulated the Savings and Loan industry – which were motivated by the neoliberal turn in federal and state policies – the scandal involved widespread financial fraud in large part based on real estate acquisition and development in Sunbelt states (Calavita et al. 1997; Black 2005). Originally, the industry was enabled by the federal government to encourage the availability of mortgage capital for middle-class homeownership. The federal government offered insurance on savings and loan deposits, but in return restricted the types of loans offered, their geographical extent, interest rates, and other factors. Deregulation drastically changed the rules of the game by eliminating virtually all restrictions – such as limits on “brokered deposits” and restrictions on non-residential real estate investment – while actually increasing the amount of deposit insurance offered. “This selective application of the principles of free enterprise – spearheaded in large part by members of Congress with ties to the thrift industry – laid the foundation for risk-free fraud” (Calavita et al. 1997, 11). Single investors could even start their own federally insured Savings and Loan simply with non-cash assets like “independently” assessed real estate.

Although there were many vehicles used to perpetuate fraud in the Savings and Loan scandal, one primary method rested on land flipping (Calavita et al. 1997). In a number of high profile examples, mutually acquainted S&L owners would sell property back and forth to one another dozens of times, paying increasingly high prices for it and thus raising its value 1000% or more in appraisal. This value could then be used as collateral to receive a large loan for future land purchases, or be used to directly purchase an insolvent S&L. In some cases, groups of buyers and sellers would conduct immediate purchases and sales, buying and selling from one to another in the span of a few hours

until all participants had made a profit. In other cases, fraudulent appraisals were used to facilitate profiteering (Calavita et al. 1997). Another major avenue for fraudulent profiteering was presented by the granting of acquisition, development, and construction loans. These highly speculative loans, normally considered some of the highest risk financial products, were freely given out for commercial and residential projects with little or no viability and without presales. Since bank officers received fee income simply by granting loans and often collaborated with grantees, while foreclosure risks were mitigated by federal insurance, these real estate loans were used as a Ponzi scheme to enrich all participants. Many S&L officers purposely bankrupted their institutions in order to personally profit (Calavita et al. 1997). Ultimately, all of the S&Ls involved in these schemes had collapsed by the end of the 1980s, severely disrupting the national economy and leaving taxpayers to clean up. Yet they also had distinct effects on urban landscapes of regional economies as well, and the scandal is seen to have precipitated some of the Sunbelt's economic crises of the era.

Almost all [S&L frauds] concentrated in large, speculative real estate investments, typically the construction of commercial office buildings. (In this context, 'speculative' means that there are no tenant commitments to rent the space.) Because the control frauds grew at astonishing rates, this quickly produced a glut of commercial real estate in markets where the control frauds were dominant (Texas and Arizona were the leading examples). Moreover, being Ponzi schemes, they increased their speculative real estate loans even as vacancy rates reached record levels and real estate values collapsed. Waves of control fraud produce bubbles that must collapse. (Black 2005, 5)

It is important to emphasize that land speculation strategies enabled by illegal activities are quite different than legal strategies which take advantage of growing urban areas, institutionally devalued real estate, or socially produced scarcity. Yet both strategies thrive upon an emergent form of finance capitalism, where a major shift from primary circuit investments in physical production to secondary circuit investment in real estate increases the speed at which profiteering is possible. S&L leaders were “unconstrained by long-term investments in the infrastructure of production” and thus were incentivized to seek quick profits, sometimes through fraudulent means (Calavita et al. 1997, 3). “Profits in this casino economy are made from speculative ventures designed to bring windfall profits from clever bets. In contrast to industrial capitalism, profits no longer depend on the production and sale of goods; instead, in finance capitalism, profits increasingly come from ‘fiddling with money’. Corporate takeovers, currency trading, loan swaps, land speculation, futures trading – these are the ‘means of production’ of finance capitalism” (Calavita et al. 1997, 2). The trend towards neoliberal globalization has further obscured the productive roots of this “fictitious capital” as global financial institutions create ever more complex financial mechanisms. Lees et al. (2008) note that these changes are reflected in local urban landscapes by current gentrification trends, since local rent gaps are increasingly interwoven with transnational finance. Residential mortgages are now often bought and sold in pools of securities on world markets, and local urban dynamics are now affected by “shifts in interest rates, currency fluctuations, government budget deficits, and investor sentiment” (Lees et al. 2008, 80). In essence, the growing preeminence of exchange valuation over use valuation of urban land has meant that the capitalization of urban property is becoming ever more abstracted from

local context, further removing the ability of local urban residents to proactively guide their socio-economic outcomes.

Critical Theory and Sustainable Development

Chapter 1 elaborates a detailed definition of sustainable urban development based on a popular paradigm suggesting the inevitability of growth. The concept of sustainable development is predicated upon this growth paradigm, but to solve the social-ecological problems generated by scalar growth, this ideal proposes a shift from quantitative growth to qualitative development. In proposing a sustainable form of qualitative development, this concept draws upon pre-existing notions of ecological, human, regional economic, and land development.

As described in the previous section, critical social theory derived from the Marxian tradition provides a detailed, structural account of land development in the political economy of advanced capitalist nations. This perspective can inform existing notions of sustainable land development, usually focused on “smart growth” philosophies of dense infill development, by providing a “reality check” to planners who often specify an ideal urban form without tackling the underlying political economy that ultimately directs changes to capitalist built environments (Quastel et al. 2012). Yet critical theory also provides valuable perspectives on the ecological, human, and regional economic components of the sustainable development ideal. The following section summarizes these contributions, illuminating the areas in which critical theory either buttresses or challenges the theoretical foundations of sustainable development. Although there are many points of agreement between the two discourses, especially regarding the

importance of human potential, social equity, and tangible socio-economic relationships, there are also deep conflicts which suggest that sustainable development and critical theory may be mutually exclusive for the foreseeable future.

Ecological Development

Modern studies of resilience in social-ecological systems emphasize the dynamic interface between human systems and ecology. Adaptive cycle theory notes that, although cycles of growth and decline are inevitable and necessary for the productive evolution of all systems, there may be a “sweet spot” along the r to K transition where symbiotic systemic relationships promote complex development that is both efficient and resilient. Critical theory in the urban political ecology tradition also focuses on the relationship between human society and the ecosystem goods providing social sustenance. Political ecology, although focused upon the human side of this relationship, shares at least an implicit recognition that diverse-yet-efficient ecosystems are desirable from a sustainability perspective. One of political ecology’s biggest contributions lies in extending critical notions of exchange and use value to society’s valuation of nature, and observing crucial instances in which the exchange valuation of ecosystem goods can diminish ecosystem complexity, social outcomes, and social-ecological resilience.

Urban political ecology emphasizes that the dominance of exchange over use valuation of economic products under capitalist social relations extends to natural goods as well, ultimately leading to the “commodification of nature” (Heynen et al. 2006, 6). The “metabolism” between society and the natural world is a central focus of this discourse, in that society uses human labor to continuously transform natural goods into

physical use values crucial for human life and economic growth. This metabolism involves a holistic pairing of human effort and natural bounty such that use values are equally derived from both, implying that natural and social systems are indivisible and that human society is, in effect, natural (Smith 1984; Heynen et al. 2006). Under capitalism, however, these metabolic processes are channeled to specific ends through power-laden social relations, restricting the number and types of people who have access to nature's bounty. Furthermore, capitalist political economy tends to commodify the use values derived from laboring at the social-ecological boundary, converting them to exchange values that can aid the imperative of accumulation. Commodification, "the process through which invaluable and complex ecosystems are reduced to commodities through pricing" (Heynen and Robbins 2005, 6), not only ignores the labor component of economic value, but also obscures the physical and ecological metabolisms behind this value (Swyngedouw and Heynen 2003).

In practice, the exchange valuation of "natural capital" is directly at odds with holistic ideals of ecological flourishing and mutually beneficial ecological complexity. Harvey (1996) argues that money is an inherently relative concept, contextual to a socio-economic system where assets are valued and devalued based on shifting market conditions. Applying monetary valuation to ecosystem goods implies that critical environmental assets like fresh water also fluctuate widely in value. It is clear to rational observers, however, that many environmental functions (like fresh water) are irreplaceable, and would defy attempts at relative economic valuation. In addition, ecological science establishes that critical and non-critical environmental assets are inseparable in the actual workings of ecosystems, casting doubt on theories of

exchangeability. “If we construe the world, in the manner of deep ecology, as ‘networks or fields of relations in which things participate and from which they cannot be isolated’ (Naess 1989, 49), then the money valuation of things in themselves becomes impossible” (Harvey 1996, 153). Exchange value mentality also leads to environmental management practices where ecosystems are manipulated to maximize the production of one or a small range of goods that provide the most market value (Walker and Salt 2006). These practices clearly derive from the commodification of nature and are fundamentally at odds with arguments linking environmental sustainability with complex, interdependent ecosystems.

In other situations, ecosystems are exploited for specific goods not by wealthy firms, but by local populations in critical need of basic necessities (food, water, firewood, etc.) or income-generating goods. Unsustainable rates of environmental depletion by low-income populations helped to inspire the original Brundtland Report on sustainable development (WCED 1987). Like the Brundtland Report, critical theorists highlight that these problems are generated by unequal distributions of global wealth; critical theorists extend this critique, however, by emphasizing the capitalist origins of uneven development and environmental injustice (McLaren 2003; Faber and McCarthy 2003). These authors argue that sustainable development is derived from capitalism but paradoxically attempts to solve environmental problems generated by capitalism. Reframing sustainable development in terms of environmental justice, however, would directly challenge prevailing economic systems at regional and global scales (McLaren 2003) that increasingly promote standards-lowering competition (in terms of environmental and labor standards) (Daly 1996; Faber and McCarthy 2003). Thus from

the viewpoint of critical theory, the political economy of capitalism hampers the flourishing of ecological development from two directions: capitalist firms, under the spell of constant accumulation, tend to adopt “ecologically unsustainable systems of production” (38) to sustain economic growth in the face of competition (Faber and McCarthy 2003); and disadvantaged classes struggling with poverty induced by uneven development similarly tend towards unsustainable environmental depletion simply to survive (McLaren 2003).

Human Development

Sustainable development discourse draws upon an ideal of human development derived from concepts like social capital and sustainable livelihoods. At the core of this ideal is the belief that human beings possess an almost unlimited individual and collective potential to coordinate ever higher modes of socio-economic success. This faith in human potentiality is shared by the Marxian tradition of critical theory, as Marx himself argued passionately that capitalism was inherently repressing “our species potential” (Harvey 1996, 108). Harvey (1996) observes that two parallel notions of human potentiality arose from the progressivism of Enlightenment thought. To some, the Enlightenment implied the liberation of individuals from the strictures of religious and cultural norms, government oppression, and material needs, freeing each person to pursue “self-realization” through creative work. Communitarians and anarchists, on the other hand, saw “emancipation and self-realization as a collective rather than individualistic concern” and argued against any forms of impersonal, top-down management of society – even from free market structures (Harvey 1996, 125). Marx was similarly interested in

liberated human potentiality, but rejected both individualistic and communitarian perspectives in favor of a holistic critique of capitalist class structures where both individual and collective emancipation would play a role. “For Marx what really mattered was the development of conscious powers for the continuous production of nature in ways that would undermine class privileges and oppressions and liberate the creative powers of individuals to produce themselves through the production of nature” (Harvey 1996, 127).

Searching for a “socialism that provided ‘a new enrichment of human nature’” (Merrifield 2002, 15), Marx linked money and the turn towards exchange valuation with a certain enslavement and abandonment of the self. Focusing on the different relationships between producers and products in traditional and capitalist societies, Marx argued that under capitalism, laborers become increasingly disconnected from the products of their labor through an impersonal and unjust industrial process, leading to a type of “alienation” between producer and product. This process of alienation exploits labor, prevents creativity and stifles “real human developmental potentialities” (Merrifield 2002, 16). In fact Marx’s mode of thought, derived from the dialectical tradition, is inherently focused on investigating the ideal of potentiality. As Harvey (1996, 56) summarizes, “The exploration of potentialities for change, for self-realization, for the construction of new collective identities and social orders, new totalities (e.g., social ecosystems), and the like is a fundamental motif in Marxian dialectical thinking.”

Regional Economic Development

One of the greatest arenas of convergence – and conflict – between sustainable urban development and critical theory surrounds the topic of regional economic development, especially as related to the cultural production of economic value and place promotion. As reviewed in the last chapter, sustainable urban development theory draws upon a number of regionally-emplaced conceptions of economic development. Agglomeration theories of development, originating from Jacobs (1969), posit that dense, diverse urban environments supporting cultural and interpersonal exchange provide a breeding ground for entrepreneurs to create novel additions to existing economic processes. Many critical theorists agree with agglomeration accounts, but instead of observing that the agency of economic entrepreneurs is enhanced by urban conditions, they tend to focus on how those conditions enable the structured power of a capitalist system bent on continued growth. Harvey (1985) interprets that, in the Marxian tradition, capitalism is the true source of the “new wants” that inspire the novel production of economic value – seemingly the demand-side, structuralist version of Jacobs’ supply-side, agent-driven notion of “new work” derived from “old work.” “[Marx] goes on to integrate the rise of science, the definition of new social wants and needs, and the transformation of world culture into his general picture of the global transformations necessarily wrought through an expansionary capitalism powered by the impulsion of accumulation for accumulation’s sake” (Harvey 1985, 42). The creation of “new social wants and needs” naturally tends to lead to differentiated groups and classes of urban citizens, each defined by their specific consumption patterns. This socio-cultural fracturing of the body politic helps capitalism survive crisis by providing new outlets for accumulation while introducing political divides that squelch opposition to the capitalist

class (Harvey 1985). Thus consumption-driven regional economic development both leads to and feeds upon regionally or sub-regionally unique places, but in this view place-based novelty simply becomes another tool for the imperative of capitalist accumulation (Harvey 1985).

Sustainable urban development also intersects with regional economic development in an emphasis upon the cultural production of economic value – an ideal similar to critical theory’s notion of consumption-based innovation. From a sustainability viewpoint, the ability to create economic value from cultural trends, somewhat independently from material inputs, represents a powerful idea that at its extreme suggests the possible dematerialization of advanced economies. Once again, however, critical theorists argue that the forces of capitalist accumulation can easily hijack this ephemeral process of value creation. This is especially the case in “postmodern” societies where media and popular imagery, cultural innovation, and economic production are interwoven to the point that links between the three are completely obscured, opening a leverage point for capitalist manipulation (Jameson 1991). To Jacobs, past and current socio-economic processes represent the necessary foundation for continued innovation; yet when development is based on cultural, not industrial referents, past and present cultural imagery becomes mixed to the point of absolute confusion, where the new is never more than a self-referential collage (Jameson 1991). Here the postmodern process of cultural production itself becomes glorified and commodification extends more deeply into everyday life. If industrial capitalism represented the ongoing destruction of use value by exchange value mentalities, postmodern capitalism involves the elevation of exchange value itself as a type of use value, where products are marketed based on

cultural value endowed by the hipness of commodification itself. In a hyper-commodified world where image is everything and the cultural memes of yesteryear can be mobilized for profit, “exchange value has been generalized to the point at which the very memory of use value is effaced” (Jameson 1991, 18).

Thus the cultural production of economic value is highly problematic because it is susceptible to manipulation by moneyed interests, especially when cultural cache ostensibly born from an independent aesthetic is surreptitiously captured by the forces of accumulation. Jameson (1991, 48-49) wonders “whether it is not precisely this semiautonomy of the cultural sphere which has been destroyed by the logic of late capitalism,” molding a social world where countercultural inventions “are all somehow secretly disarmed and reabsorbed by a system of which they themselves might well be considered a part, since they can achieve no distance from it.” Yet others (and even Jameson) argue that it is exactly these place-based countercultural forms, driven by agglomeration effects, that offer a possible way to contest the neoliberal globalization of capitalism. Soja (2000) draws upon Storper’s (1997, 29) view of territorial development to argue that, whether tangible products or postmodern imagery is driving economic development, new forms of reflexive urban consumption offer power-laden opportunities for capitalists and citizens alike. “The ‘enormous leap’ in economic reflexivity that Storper argues defines the present era makes it more possible than ever before for ‘groups of actors in the various institutional spheres of modern capitalism – firms, markets, government, households, and other collectivities – to shape the course of economic evolution’” (Soja 2000, 178). Thus it seems that postmodern economies based on the ephemeral production of economic value offer the potential to either strengthen or

weaken sustainable development outcomes. They can deconstruct and democratize the production of value, enhancing the place-based transparency of producer-consumer relationships; or they can use the spectacle of commodification to capture, profit from, and ultimately control the process of cultural production, obscuring consumption relationships with carefully deployed imagery.

The place-specific economic development at the heart of the cultural production process represents the flashpoint for struggles over what groups and classes are able to profit from such “postindustrial” economies. The “production of place” has become a strategy for countercultural and sustainable development initiatives asserting greater local control over political economy (DeFilippis 1999; Pendas 2002), but it is equally emphasized by neoliberal initiatives attempting to profit from cultural production, inter-municipal competition, and the devolution of government responsibility to local institutions. Some critical theorists link the production of place with capital’s search for the spatial fix, arguing that place promotion represents a response to the uncertainties associated with uneven geographical development (Brenner and Theodore 2002; Mayer 2007). “Neoliberal policy experiments” like tax abatement zones and public-private partnerships are often used by cities responding to “heightened levels of economic uncertainty by engaging in short-termist forms of interspatial competition, place-marketing, and regulatory undercutting in order to attract investments and jobs” (Brenner and Theodore 2002). These neoliberal initiatives often mobilize a discourse of entrepreneurship to justify inter-municipal competition as well as attempts to transfer the social welfare responsibilities previously held by government (e.g., homeless services) to non-governmental groups (Raco 2005; Mayer 2007). These shifts in public policy

directly open new avenues for capital accumulation – for example, money saved by the devolution of welfare responsibility is channeled into competitive corporate incentives – while neoliberal arguments use holistic notions of entrepreneurial dynamism, local social capital, and even local sustainable development to mask the underlying transfer of wealth. The place-specific cultural diversity driving cultural production is alternately promoted by neoliberal institutions, when it facilitates accumulation, and suppressed when it gives rise to contestation and conflict (Mayer 2007; Sites 2007).

Some theorists note that a focus on the “local” as a scale of economic activity is ultimately a peculiar social construction, given the myriad ways in which advanced capitalist economies weave together local and non-local capital and development activity (Pendas 2002; Hess 2010). Geographers emphasize that places do not contain a durable, preordained identity, but rather are continuously produced and reproduced by actors and institutions at a variety of scales. By focusing on local scale economic initiatives at the expense of the wider, non-local economy, actors initiate a socio-spatial process of place construction in which power relations are altered. DeFilippis (1999) argues that the concepts of “locality” and “autonomy” – so crucial to the localist movement – must be defined in terms of the preexisting capitalist power relations that connect local to global scales. Localities are not fixed entities, and it is naïve to conceive of local economic movements disconnected from preexisting political economies. “Similarly, autonomy is not a discrete commodity that is possessed or not possessed by individuals or localities. Instead autonomy is a set of power relations. A locality therefore cannot have autonomy, since autonomy can only be realized through the social, political, and economic relationships that those within the locality are engaged in with the extra-local world...

Local autonomy, therefore, can be defined as the ever-contested and never complete ability of those within the locality to control the institutions and relationships that define and produce the locality” (DeFilippis 1999, 976-980). Thus a realistic view of the local economic movement, as informed by critical theory, recognizes its inherent limitations and dependency on non-local forces even as it identifies legitimate strategic initiatives that can restructure power relations. Although the “potential of localities to realize autonomy through local ownership is incredibly constrained in places where past economic relations have been largely those of capital flight,” and although parochial social exclusion remains a problem for any place-based social movement, localist movements still retain some power to regulate capital flows and encourage greater local control over economic life through local ownership (DeFilippis 1999, 985; Pendas 2002).

Thus while neoliberal and sustainable urban development initiatives share a focus on local place as a site of economic production, tensions emerge in practice, especially when neoliberalism attempts to hijack the discourse of sustainable development to encourage scalar urban growth and capital accumulation. Gibbs and Krueger (2007) note the fundamental contradiction between economic growth and the promotion of healthy ecologies and human quality of life, since growth often destroys ecosystems while triggering rising inequities (such as rising housing and goods prices for lower classes). Sustainable urban development often becomes a “story line” used to justify neoliberal growth – “a new power/knowledge discourse for organizations seeking to accumulate power” (Krueger and Gibbs 2007, 5). Inter-urban competition for corporate investment in a world where sustainability is a desirable, marketable attribute has caused many

policymakers to marry the concepts of “the entrepreneurial city” and “the sustainable city,” despite the myriad ways in which they are mutually exclusive (Jonas and While 2007). Jonas and While (2007, 130) ask, “Is the pursuit of urban sustainability simply a legitimating strategy for cities, which are otherwise engaged in economic and cultural transformations designed to promote competitiveness? And, if so, to what extent is urban sustainability being mainstreamed or normalized as part of neoliberal urbanism?” Others argue that new urbanist planning justified on environmental grounds is all too comfortable with existing political economies and worry that social justice goals are marginalized in the process (Quastel et al. 2012). At the same time, critical theorists also recognize the political possibilities of a sustainable development discourse divorced from neoliberal imperatives, where qualitative development, not quantitative growth is truly emphasized (Mayer 2007; Jonas and While 2007).

A number of authors have probed existing public policies promoting sustainable development as an economic development strategy to determine whether neoliberal infiltration into sustainability is indeed a widespread trend. Raco (2005, 339) observes that Britain’s “Sustainable Communities” development initiative represents a confusing mix of sustainable development and neoliberal policy prescriptions. In particular, he notes how a discourse of entrepreneurialism and community citizenship is used to replace the retraction of welfare programs with a self-help notion of “sustainable citizenship.” Arguing that the shift towards privatization of responsibility is directly at odds with the participatory democratic foundations of sustainable development, one author conducted a survey of municipal authorities to find that there is indeed a pairing of entrepreneurial and sustainable development ideals, although at a “fairly superficial level” (Gibbs 1997,

206). Counsell and Haughton (2003, 230) observe that the first objective in the British Labor government's definition of sustainable development is "high and stable economic growth and employment," where "the very use of the word 'high' in relation to economic growth gives it a sense of prioritization over the environmental aims." As a result, sustainable development discourse has been used to both criticize and support plans to develop greenfield sites in northeastern England (Counsell and Haughton 2003). While et al. (2004) similarly observe that, in Cambridge, England, a fast-growing economy confronted with a housing shortage has spawned a "growth machine" political coalition reminiscent of American cities, driving policymakers to closely link greenfield development and sustainability. "What is interesting here is not only the way in which arguments about the inevitability of growth were used to neutralise the antidevelopment lobby but also the ways in which discourses of collective consumption in the guise of 'environmental sustainability' were used to promote a value-free, or value-positive, vision of development" (While et al. 2004, 296).

In a study of Boston's and Austin's development initiatives, authors found a distinct conflict between economic growth and quality of life goals, especially as rapid development spurred gentrification, rising prices, and displacement of lower income residents (Gibbs and Krueger 2007). Although Austin's business titans are more engaged with sustainable development and mitigating the social impacts of economic growth than Boston's, in both cases social concerns were much less important than the quality of life and tax issues seen to drive municipal competitiveness for corporate investment. "As the ideology of neoliberalism continues to hold sway, economic decision making increasingly dominates the political agenda and thus maps directly onto the sustainability

agenda. Because of this inescapable engagement with capitalist social relations, the true intent of ‘sustainable development policies’ is frequently marginalized” (Gibbs and Krueger 2007, 117).

The inevitable tensions that exist between neoliberal and sustainable urban development goals in practice – spawning policies perhaps best described as “actually existing sustainable development” – have forced some critical theorists to abandon the ideal of sustainability as a captive of neoliberal capitalist institutions. Harvey (1997) describes sustainable development as a discourse of “ecological modernization” emanating from capitalist institutions alarmed at the long-term viability of economic growth. Although ecological modernization has enabled a number of victories for environmentalists, it is derived from a capitalist mentality organized by exchange valuation of environmental goods, thus exuding “a certain kind of rationality that lessens the force of more purely moral arguments and exposes much of the environmental movement to the dangers of political co-optation” (Harvey 1997, 76). To Harvey, the environmental and social justice movements need to retain their own ontological frameworks and remain independent from sustainable development initiatives, in part to emphasize the primacy of humanism and use value in the face of neoliberal ploys which always privilege capital accumulation over human development.

The refusal to cast discussion in monetary terms reflects an intuitive or experiential understanding of how it is that seemingly fair market exchange always leads to the least privileged falling under the disciplinary sway of the more privileged and that costs are always visited on those who have to bow to money discipline while benefits always go to those who enjoy the personal authority

conferred by wealth. There is an acute recognition within the environmental justice movement that the game is lost for the poor and marginalised as soon as any problem is cast in terms of the asymmetry of monetary exchange. (Harvey 1997, 85)

Yet Harvey, like other critical theorists, seems conflicted about the discourse of sustainable urban development. As much as the breadth and malleability of the concept provides openings for neoliberal policy reforms, it also provides a philosophical foundation for challenging the status quo in growth-based economies increasingly pursuing regional development strategies.

The Producer-Consumer Relationship

The tangibility of the relationship between the producers and consumers of economic goods is a central focus of sustainable urban development theory. Critical theory also proposes closer links between producers and consumers, although more from the perspective of social relations than bioregional notions of local economies. The concept of “commodity fetishism,” originally derived from Marx, describes how in complex capitalist economies, commodities are consumed by specific classes without knowledge of or connections to the producers of those commodities (Merrifield 2002). Goods can now become valued as things-in-themselves, part of a fetish for conspicuous consumption more generally, and the social relations which lead to their production can be ignored. Marx viewed production and consumption “as dialectically related moments of the same process,” and their separation (which encouraged consumption-based classes) was considered a dangerous idea in bourgeois political economy (Soja 1989, 95). While

sustainable development proposes that all goods have an “ecological footprint” based on the natural resources/energy used and pollution released during production, critical theory adds the idea of a socio-political footprint measuring the relative degree of labor exploitation involved in the production process.

The fetishism of commodities leads to obscured producer-consumer relationships in large part due to the prevalence of exchange value as an organizing force in socio-economic life. Noting that marketing process specifically exists to transcend a product’s common origins, Lefebvre (1973, 80) states that “things and products that are measured, that is to say reduced to the common measure of money, do not speak the truth about themselves. On the contrary, it is in their nature as things and products to conceal that truth.” Marketing in pursuit of accumulation thus creates the commodity fetish, especially in modern economies that use postmodern imagery to further obfuscate the socio-economic process. Earlier critical theorists like Benjamin and Lukacs, experiencing Western cities at the turn of the 20th century, understood this phenomenon as “reification...how, under capitalism, relations between people take on a ‘phantom objectivity,’ assume the state of relations between ‘things’” (Merrifield 2002, 56). The commodity was seen as a symbolic representation of how working classes were politically disabled by the nebulous quality of capitalist relations (Merrifield 2002). Yet as the importance of popular imagery and recycled cultural memes for commodity marketing exploded in the second half of the 20th century, theorists like Debord warned of “hyper-reification,” where a society consumed by the spectacle of commodification became exponentially more removed from tangible understandings of the producer-consumer relationship (Merrifield 2002). By the time that Jameson (1991) and others had

labeled this image-based reification as “postmodern,” the intertwining of exchange valuation, spectacle-based marketing, and glorification of commodification itself was so complete as to seem impregnable from political contestation.

Ultimately, critical theorists and community development theorists alike emphasize that disconnection between production and consumption hampers political movements’ ability to increase the power of lower classes in relation to capitalists. Consumers simply do not have the same organizational power as producers unless local economic institutions like cooperatives compete against larger corporations (Bruyn 1987). Class-based political movements become hamstrung by the ephemeral character of economic relations, especially since they provide an opening for privileged classes to craft positive narratives around existing relations. Critical theorists respond, like in sustainable development, by proposing “*transparency* within each segment of the commodity chain...among production, distribution, exchange, and consumption” (Merrifield 2002, 27). In an era of finance capital, where electronically traded wealth is increasingly divorced from physical production, critical and sustainability theorists should find much common ground in the push to make socio-economic relations more tangible and controllable through democratic processes.

The Person-Place Relationship

The ideal of supporting tangible connections between people and the places of everyday practice emanates from sustainable urban development theory – often summarized by “sense of place” – but it also finds precursors in the “spatial turn” of critical social theory. As theorists like Lefebvre and Harvey have worked to translate

Marx's dynamic theories of capitalism into a geographical theory of the urban built environment, they have often noted the fundamental differences between the capitalist production of space and earlier spatial practices. Lefebvre (1973, 343) argues that capitalism, constantly developing and redeveloping the urban environment to temporarily augment accumulation, is based on a notion of absolute space: places are viewed as interchangeable, often reduced to commodified parcels, and "the result is that places are deprived of their specificity." Lefebvre extends the notion of fetishism, previously reserved for commodified products, to the absolute spaces of capitalism. These spaces tend to obscure the social relations and practices generated from specific, everyday place, feeding the belief that other spaces are substitutable through exchange valuation. "Just as abstract labor denies true concrete labor – true fully developed individuality – abstract space likewise denies true concrete qualitative space. It denies the generalization of *differential space*" (Merrifield 2002, 91). Differential space, on the other hand, implies that all places are unique, generated by people and cultures that are unique, thus defying interchangeability.

In response to capitalism's homogenizing tendencies, critical theorists often advocate for socio-economic relations under which people possess a more direct awareness of and connection to differential space and place. Marx's thought "suggests, above all, a physical and social environment with texture, with a depth and complexity of meaning not a flattening or simplification of meaning...It suggests places where people dynamically and spontaneously interact with their surroundings" (Merrifield 2002, 181). Walter Benjamin's interpretation of Marx focuses heavily on the person-place relationship, deriving specifically from the commodified streets and arcades of Paris and

other European cities in the inter-World War period. Benjamin's notion of the *flâneur* – a strolling urban loner who critically meditates upon the people and commodities of modern cities – indicates the power he associated with rising above commodity fetishism while deeply connecting to one's place (Merrifield 2002). In the contemporary context, Marshall Berman advocates a similar immersion into the roiling stimulation of complex urban places, associating the experience of place with moral and psychological development (Merrifield 2002). Jameson's (1991) "aesthetic of cognitive mapping" perhaps offers the most specific prescription for heightening the tangibility of person-place relationships in order to avoid the pitfalls of capitalist image economies. Drawing upon Lynch's study of cognitive mapping, Jameson (1991, 51) argues that performing the mental exercise of mapping one's surroundings, and one's spatial positioning within them, triggers "the practical reconquest of a sense of place." Cognitive mapping allows individuals to fight back against the disorienting effects of absolute space and trace a connection between the body, its immediate surroundings, and the "unrepresentable totality which is the ensemble of society's structures as a whole" (Jameson 1991, 51). Cognitive mapping essentially becomes a political act, and augmenting sense of place implies augmenting the ability to contest the postmodern schizophrenia and exploitation of advanced capitalism.

The ideal of forging deeper connections to place is easily extended to the reflexive, self-conscious production of use-oriented places by locally embedded agents. This extension implies that sense of place is intimately bound up with the socio-spatial dialectic, which describes how people and places are mutually constitutive by nature. Lefebvre (1973) ties the countercultural production of space to the contestation of

capitalist growth economies at large, noting the links between place-construction, use value, and qualitative development.

The productive forces have since taken another great leap – from the production of things in space to the production of space. Revolutionary activity ought, among other things, to follow this qualitative leap...to its ultimate consequences. This means putting the process of purely quantitative growth into question – not so much in order to arrest it as to identify its potential. The conscious production of space has ‘almost’ been achieved. But the threshold cannot be crossed so long as that new mode of production is pre-empted by the selling of space parcel by parcel, by a mere travesty of a new space. (Lefebvre 1973, 358)

Although he specifically states that quantitative growth should be socially assessed, not stopped, Lefebvre clearly argues for a new mode in the production of space where qualitative, use-based values are mobilized to construct new socio-economic “counter-spaces.” Harvey (1996) observes that the reflexive construction of place is a theme shared by environmental and social philosophers alike. Participating in the creation of place is tied to goals of “self-realization” and human development that can enhance understanding of and political mobilization around local social-ecological as well as socio-political issues. “The increasing penetration of technological rationality, of commodification and market values, and capital accumulation into social life...together with time-space compression, will provoke resistances that increasingly focus on alternative constructions of place...The search for an authentic sense of community and of an authentic relation to nature among many radical and ecological movements is the cutting edge of exactly such a sensibility” (Harvey 1996, 302). Harvey identifies the

“militant particularism” politics of local cultural groups as an example of this trend. These types of movements utilize the universal discourse of freedom and human rights, but combine it with “claims based on locality, embeddedness, and cultural history which emphasize their unique and particular standing as a socio-ecological group” (Harvey 2000, 88). Thus increasingly, active place construction is seen as a political strategy for global capitalist confrontation, and goals of social justice, environmental protection, and economic self-determination are increasingly conflated in the overlapping discourses of critical theory and sustainable development.

Yet theorists like Harvey remain suspicious of this newfound political focus on place-based social movements, noting the dangers of parochialism, exclusion, and abandonment of modernity. Young (1990) warns that local communitarian movements can easily translate into exclusionary politics, and when these groups begin to feed off of moralistic, self-righteous ideas, they can even lead to fascism (Harvey 1996). Even local economic development theorists note the social dangers of parochial politics (Bruyn 1987). Place-based movements are also susceptible to the divide-and-conquer strategies of capitalists positioned to profit from cultural production while stifling local political movements. In many ways, this skepticism harkens back to the ideological split between anarchists and communitarians, who proposed a place-based socio-political order rejecting the trappings of modernity, and Marxian supporters, who saw the productive power of modernity as a force to be channeled into socialist emancipation (Harvey 1996; Hall 2002). Place-centric politics often relies on an idealistic notion of “community” which sounds socially holistic but can easily translate into exclusionary, parochial behavior preventing counter-cultural movements; modern suburban municipalities, often

armed with exclusionary zoning policies, represent a salient example. Harvey (1996, 426) warns that community idealism, when applied to urban conditions, may not address “the much more tricky problem of creating a politics of heterogeneity and a domain of publicness that stretches across the diverse spatio-temporalities of contemporary urbanized living.”

If the exclusionary tendencies of localized groups can be contained, and local agents can maintain a multi-scalar perspective on modern life, however, theorists like Harvey do see potential in place-based movements combining environmental and social goals. “The radical ecological literature that focuses on place construction, bioregionalism, and the like here has something creative to offer, partly as an excellent growth for critique of capitalism’s production of waste...as well as its production of serial conformity in urban design and the like... The richness of human capacity for complexity and diversity in a context of the free exploration of the richness, complexity, and diversity encountered in the rest of nature can become a vital part of any ecosocialist project” (Harvey 1996, 201-202). Other critical theorists go farther to advocate the socio-political power endowed by a reflexive sense of place. Soja (2000, 408), citing Young (1990) and others, argues that new conceptions of regional governance in metropolitan areas could serve as effective vehicles “to heighten public consciousness of regional interdependencies and to assist in struggles against recalcitrant localisms and racisms.” These authors share Harvey’s skepticism about the social beneficence of local communities, but argue that place-based movements still have deep potential if sense of place is conceived and constructed simultaneously at the local and regional scales. Noting that local urban places like Seattle have become the physical arenas for protesting the

spread of neoliberal globalization (Mayer 2007; Sanders 2010), authors addressing the juncture between sustainable development and neoliberalism maintain hope that localities can fully separate neoliberal and sustainability policies (DeFilippis 1999; Pendras 2002; Krueger and Gibbs 2007; Jonas and While 2007). Despite the various ways in which sustainable development has been conceived in practice, including efforts to promote scalar, neoliberal growth, local groups can politically reclaim the sustainable development discourse and create socially and environmentally responsible places that truly run counter to neoliberal goals (Pendras 2002; Krueger and Gibbs 2007).

Ultimately, sustainable development is fundamentally at odds with deep ecology approaches that reject all forms of growth and most modern technologies, and instead advocate a bioregional ethic of “voluntary simplicity.” Instead, sustainable development is predicated upon further advancing the productivity of society, and this inevitably implies that the scalar efficiencies and economic dynamism of interpersonal, global trading networks need to be embraced to some extent. Marx’s perspective on modern society was similar, since he noted that the alienation between producers, products, and consumers provided a new scale of productivity and wealth that could be channeled to more socialist ends. This means that an overemphasis on bioregional, place-based economic development – and complete tangibility in producer-consumer and person-place relationships, where all forms of exchange valuation are rejected – may be socio-economically limiting. The challenge is to find an appropriate, healthy balance between the dynamism of a global economy and the ability of locally-embedded citizens to create tangible, transparent, and controllable relationships between themselves and the environments and resources which sustain them (Bruyn 1987; DeFilippis 1999). Many

neoliberal and sustainable development critiques suggest that the balance has been shifted too far towards global exchange value, and furthermore, that the system is structurally oriented to perpetuate this shift. An emplaced, historical perspective on these trends – reviewed in the next chapter – similarly suggests that the deck is stacked against the everyday realization of urban use values. Ultimately, it is important to keep in mind that, like the resilience paradox, there is no one ideal strategy for negotiating the balance between efficient, globalized growth and novel, place-based development.

Chapter 3: The Growth Paradigm in the History of Phoenix, Arizona

‘A nation which does not expand is marked for decay,’ declared the [Phoenix] Gazette. The ‘same idea has been expressed with regard to cities and towns. Those which do not progress go backward – there is no standing still. It must be either grow or dry rot.’ The paper warned, ‘When opportunities for expansion present themselves they must be taken advantage of at once or the opportunities may not come again.’ Most Phoenicians agreed with the Gazette, and they supported growth. (Luckingham 1989, 48; quote from Phoenix Gazette, circa 1900)

Phoenix is a city that is not bound by tradition or preconceived attitudes. In short, Phoenix offers ‘a chance’ to the adventurous. Fortunes have been made here that could not have been made in other cities. Phoenix is restless, a plastic society that has yet to find its true personality. (Kelly 1964, 15)

Phoenix, Arizona was founded by a small group of Anglo and Mexican settlers in 1870, and over the past 140 years it has grown to become the core of a metropolitan area supporting over three million residents. This tremendous rate of growth – relatively steady throughout the city’s history, although it spiked exponentially following World War II – placed Phoenix at or near the top of the fastest growing American cities in most decades of the post-war period. Urban spatial and population expansion was not just a result of economic success, but often became a driver of that success, especially as the

land and housing development industries assumed an increasingly dominant share of employment from the 1950s on. The result has been Kelly's "plastic society," recently rebranded by a consulting firm as an "opportunity oasis," where a lack of political or built environment constraints on economic growth have indeed allowed many Phoenicians from all classes to accumulate wealth and build a decent life for themselves and their families (Kelly 1964; Arthesia 2008). Yet there have been sustainability-related costs to such growth, from the city's oversized ecological footprint of materials, water, and energy derived from other locales (Ross 2011) to the "ecological imprint" of such growth on the Sonoran desert ecosystem and on the available amount of arable land and riparian habitat (Redman and Kinzig 2008, 259).

The urbanization of the Sunbelt and American West have been characterized by this type of rapid scalar growth, usually predicated upon the market-based treatment of urban land and the dominance of exchange valuation over use valuation. The history of Phoenix represents an especially transparent, outsized example of these trends. Over the following pages, the predominance of short-term, growth-based strategies of economic success over longer-term, qualitative development are illuminated throughout Phoenix's history. Local groups of boosters have created and guided Phoenix's "growth machine" from its founding to the present day, and like the Gazette indicates, have consistently equated scalar growth with mutual success. Land speculation has been a socio-economic tradition among boosters and newcomers alike, shaping a present day political economy where land is valued with an eye to future growth, not present use. In fact, continued growth in land development and values has been taken for granted to the extent that many municipal policies are designed around growth expectations. Yet despite the tireless

efforts of boosters, and the prevalence of the popular American ideology connecting freedom, hard work, and self-driven success, Phoenix's growth has been constantly financed and driven from outside the region by government, private institutions, and immigrant labor. This fact calls into question the ability of local residents to self-generate a dynamic regional economy, with distinct implications for the future sustainability of Phoenix's economy more generally.

Phoenix's preeminent historian, Bradford Luckingham, argues that historically the two core values of Phoenicians are "growth" and "quality of life" (Hollander 2011, 78). This statement betrays how in recent years Phoenix's political economy has been forced to reconcile the growth machine's (and economy's) need for constant spatial expansion with the emplaced residents who increasingly prefer to divert public monies towards services in existing neighborhoods. The growth machine is fully committed to the exchange valuation and absolute interchangeability of urban property, while existing residents often prefer a greater focus on the use value of their properties and neighborhoods. Sustainable development lies at the core of this conflict, and thus understanding the history and current trajectory of Phoenix development can help illuminate a way forward.

Boosterism

The story of Phoenix's emergence begins in the mid-1860s, when a number of prospectors, farmers, and businessmen were attracted to the possibilities provided by the Salt River and its surrounding desert flatlands – "a potentially productive, yet unoccupied agroecological niche" (Redman and Kinzig 2008, 249). First started by soldiers to supply

nearby federal Fort McDowell with food, agricultural production was transferred to civilian farmers in 1868. These farmers quickly demonstrated the notable fertility of the Valley's soil, and they began promoting the area to other settlers immediately, encouraging private agricultural enterprise (Mawn 1979). The most notable member of this group was Jack Swilling, the first Anglo settler to realize the potential of the ancient Hohokam canal system still apparent in the area. Swilling, an ambitious man whose previous experiences in mining and military contractor work (for both sides in the Civil War) indicated a desire for wealth, started a joint-stock canal company with money from Wickenburg businessmen and began re-excavating a canal in 1867. When initial plantings of corn, barley and wheat were successful, Swilling's company quickly "publicized the fertility of the soil, described its progress in constructing the Swilling Ditch, and urged settlers to come to the valley" (Mawn 1979, 15-16). To profit from the expected flood of settlers, Swilling moved quickly to establish a townsite on the company's property and gave it the alluring name of 'Phoenix.' In early 1868, within only three months of the company's arrival, 50 people were already living at the townsite (Mawn 1979).

Over the following two years, many settlers spread out along the Salt River to establish agricultural homesteads, and the primacy of Swilling's townsite ebbed. These settlers decided that a new, more permanent and mutually agreed upon townsite was necessary for the area's future success. John T. Alsap, a prominent physician, lawyer, businessman, and territorial politician described as a "jack-of-all-trades," became a key figure in negotiating a political compromise regarding the location of the townsite (Mawn 1979). "Alsap was a booster, and he used his positions as secretary and treasurer of the

Phoenix Ditch Company, and his regular correspondence with territorial newspapers, to publicize and promote the Phoenix settlement. As a politician, promoter, and civic leader, Alsap considered the location of the townsite an important personal matter” (Mawn 1979, 21). When a site was finally chosen in 1870 (present-day downtown Phoenix), promotion of the town to outside settlers began even as the brush was being cleared from the site (Mawn 1979). Alsap and other civic leaders led the way in this promotional effort, setting the tone for the relentless boosterism that would characterize virtually the entire history of Phoenix.

In the following two decades, Phoenix grew steadily (but not spectacularly) in large part due to a number of distinct promotional efforts, including a forceful push to develop a railroad line connecting the emerging town with the rest of the country. As the Southern Pacific quickly built a railroad line across the southern deserts of the territory at the end of the 1870s, town businessmen anticipated an economic opportunity and created a private fund to construct a wagon road between Phoenix and the closest station on the line at Maricopa before the railroad was even operational (Mawn 1979). This effort was quickly expanded to pursue a full branch railroad line from the Southern Pacific to the city, under the notion that increasing agricultural exports would not only generate wealth from sales, but also that it would trigger rising property values across the valley (Mawn 1979). “Agricultural production had reached a surplus point far beyond the consumption power of the expanded distribution hinterland of the valley and its surrounding settlements. Farmers needed new markets. Businessmen stressed that the branch railroad would open more markets to the south for shipping hogs to Mexico and grain and flour throughout the territory” (Mawn 1979, 100). Thus, it is clear that valley farmers were not

content with complete self-sufficiency in food production, instead pursuing strategies of accumulation widely shared across the American West. The railroad line offered the clearest avenue towards such accumulation, and valley boosters wanted the Southern Pacific in particular to construct it because the company's size and geographical reach meant the line could be built especially rapidly, while Phoenix could be widely publicized by the company itself along the entire main line (Mawn 1979).

A group of influential businessmen first sent representatives to Southern Pacific in 1883, and by the following year the company agreed to sell and transport rail materials, and guarantee low rates on shipping, if locals could find a way to build the line themselves (Myrick 1980). This business group then used political connections to encourage the territorial legislature to enable Maricopa County to issue \$200,000 in public bonds to finance the railroad, despite the complaints of some local residents. This initial group disbanded soon afterwards, but a new business group composed partly of out-of-territory investors bought the rights to the initial surveys (and use of public money) in 1886. This group, which possessed certain family connections to influential Southern Pacific officials, was able to strike a deal with the company and the branch line to Phoenix opened the following year (Myrick 1980). The arrival of the railroad helped spur a new round of growth in the city, as a number of agriculturalists built mills and distribution facilities near the railroad's terminus in downtown Phoenix, and Phoenix's emergence was so encouraging that the territorial capital was moved to the city two years after the line's completion (Myrick 1980).

Once boosters were able to secure the railroad, they transitioned to using the line for promotional efforts, viewing it simultaneously as a vehicle for trade and town

promotion. Even before the line was completed, civic boosters published a pamphlet in 1886 encouraging settlement, which quickly sold out. Soon after completion, however, boosters decided to become more organized about promotional efforts, forming the Phoenix Chamber of Commerce in 1888 (Myrick 1980). The Chamber began a publicity campaign aimed at encouraging tourists and investors riding on the main Southern Pacific line to take a detour to Phoenix, using paid advertisements in major national newspapers as well as personal connections to newspaper staff. Outside tour operators soon began bringing visitors looking to invest. “Local civic, business, and professional figures volunteered to escort valley visitors, coaxing them to invest with statistics and visual experiences...One result of the investments by these groups and other visitors was that property values in the outlying areas rose sharply” (Myrick 1980, 121-122).

Boosterism continued apace into the 20th century due to the continuing role of the Chamber of Commerce as well as a growing class of influential businessmen. Dwight Heard, a large Valley landowner and booster who owned significant cattle ranching and agricultural interests, was one of the first businessmen in Phoenix to concentrate investment in real estate development (Luckingham 1989). Heard accumulated a fortune through his various business interests – including the 1912 purchase of the Arizona Republican, the main newspaper in the area – and he became an “archetype” of the booster mentality that conflated personal profit, legacy, and regional economic growth (Gammage Jr. 2003, 13). Seeing the confluence of personal and municipal interests in a growth economy, Heard was a central figure in encouraging the development of major municipal improvement projects such as Roosevelt Dam, the Central Avenue bridge, and South Mountain Park (Luckingham 1989). In fact, Heard used his longstanding personal

friendship with President Roosevelt to help secure federal funding for Roosevelt Dam (Larsen and Alameddin 2007). In the inter-war period, there was “no shortage of boosterism” as the Chamber of Commerce played an “extremely important” role in the slow, steady growth of the Valley’s economy; for example, the Chamber was responsible for attracting numerous state, regional, and national conferences to Valley locales (Luckingham 1989). The “Valley of the Sun” moniker, which has led to the widespread description of the metropolitan area as the “Valley” by local residents, was in fact created by an advertising agency commissioned by the Chamber of Commerce in 1934 (Luckingham 1989) – perhaps the most blatant example of how the culture of Phoenix is shaped by a booster-driven growth paradigm.

The start of World War II heralded a new era in the economic growth of Phoenix, spurred both by federal investments in the defense industry and a revamped, more professionalized Chamber of Commerce. The initial spark was provided by the federal government’s decision to locate a number of air bases in the Phoenix area as well as industrial facilities specializing in aircraft manufacture and other types of defense contracting. By the end of the war, Phoenix had the nucleus of an aeronautical and electronics industry that would expand rapidly in the following decades (Luckingham 1989). This growth was not simply driven by economic agglomeration effects alone, however; a new political elite helped to exponentially increase booster efforts to attract new businesses and real estate investment. During World War II, Phoenix’s national reputation for inefficient, often corrupt municipal government began to threaten downtown business interests when the commander of Luke Air Force base threatened to prevent all soldiers from frequenting downtown due to widespread reports of unchecked

prostitution and other problems. Business driven by the military bases formed a major component of the city's economy, and so this threat prompted a group of concerned Phoenix businessmen to form a political coalition to oust a number of entrenched politicians (Luckingham 1989). This political coup, led by Walter Bimson, president of the powerful Valley National Bank, and his lawyer Frank Snell, "became a pivotal event in the creation of a more unified, growth-oriented power structure in the Phoenix area" (Wiley and Gottlieb 1982, 167). After the war, this political shift was cemented when the group presented a slate of candidates in the 1949 city elections, named the Charter Government Committee (CGC), which swept the election (Luckingham 1989). Led by Bimson and Snell as well as Eugene Pulliam, the influential owner of the Arizona Republic, and Barry Goldwater, a major department store owner, the CGC created a more professionalized city manager position and enacted other political changes to position Phoenix as a modern metropolis ready to compete for economic growth. "Businesslike, honest, growth-oriented, flexible, and pragmatic enough to meet any serious opposition, the [CGC] succeeded [after World War II] because it reflected the ideals of most Phoenicians" (Luckingham 1989, 151).

Like in the early history of Phoenix, the leaders of the CGC mixed politics, business interests, and growth boosterism to promote the emergent electronics industry and rapid suburban development. Bimson emerged as a powerful city promoter, and "like Los Angeles' top boosters, Bimson sent Valley National Bank emissaries all over the country to attract new businesses, Air Force flying schools and new bases, branch factories, government housing, and aircraft firms" (Wiley and Gottlieb 1982, 168). Bimson, Snell and the bank were instrumental in encouraging Motorola's pivotal move to

Phoenix in 1949, and the bank's capital was a central force behind the rise of mega-developers like Del Webb (Wiley and Gottlieb 1982). Pulliam did his part as well, quickly converting his newspaper monopoly "into powerful organs for political conservatism and business growth in a city 'ripe for a civic and economic boom'" (Luckingham 1989, 150-151). The CGC encouraged the development of an "ultra-modern" Chamber of Commerce (Kelly 1964, 10), and the organization quickly became a model for city promotion across the country (Konig 1982), working in parallel to Bimson's more private efforts. The Chamber created a monthly publication called "Phoenix Action," targeted at both out-of-state institutions and in-state policymakers, which encouraged all forms of economic growth, including high-tech industrial, residential development, and tourism (Konig 1982). A 1949 issue, for example, reported sending publicity documents complete with photos to 271 newspapers and travel magazines throughout the country, as well as more than 5,000 letters to "the nation's major industrialists urging consideration of Phoenix as a location for a plant site" (PA 1949, 1). The publication proclaimed that "our part of this great country is headed for tremendous development," and that promotional efforts by the Chamber of Commerce are "the American and democratic pathway toward economic betterment and permanent, healthy growth" (PA 1949, 2). In fact, the political and economic strategies conducted by Phoenix boosters in this era all suggested that "permanent" growth was widely considered the backbone of the modern municipal economy.

In this period, the Chamber of Commerce led an effort to significantly change city and state tax and zoning policies to encourage rapid industrial growth. As a result of intense lobbying, the city council eliminated manufacturers' sales taxes and certain

inventory taxes, while the state legislature ended taxes on inventory taxes on manufacturing, raw materials, goods in process, finished products, and warehoused goods destined for out-of-state (Konig 1982). The state also passed a “Right-to-Work” law (Herbert 1964) that helped spur a nationwide trend against labor unionization. Proponents admitted significant lost revenue from tax changes, but justified them with expectations of future industrial development; Konig (1982, 29), however, cites studies to argue that these tax benefits were not nearly as important as the “availability of markets, labor, materials, land, and the expectation of future growth” in the attraction of industry. Ross (2011, 4), describing the Phoenix Chamber of Commerce as “an instrument of growth for growth’s sake,” argues that the combined efforts of the Chamber and the CGC created a new ethic of competitive deregulation and regressive taxation that elevated Goldwater into the national political conversation and effectively represented the beginnings of neoliberal municipal entrepreneurialism. “When local officials in coastal Chinese provinces lure foreign corporations today with lavish tax incentives, discount labor, and all kinds of legal exemptions, they are using a playbook that was largely written by the businessmen-politicians of Phoenix in their Cold War heyday” (Ross 2011, 66). The results of these efforts were clear, however, as Phoenix added 300 new manufacturers between 1948 and 1960 (Luckingham 1989) and increased manufacturing output from \$30 million to \$292 million between 1940 and 1952 (Stocker 1955). Many of the new manufacturers specialized in the highly desirable electronics industry, and Motorola’s move to the Valley clearly induced other large firms like General Electric and Sperry Rand to follow (Herbert 1964).

Ultimately, the consistent boosterism exerted by Phoenix elites helped encourage rapid scalar growth in housing construction and the city's urban extent, especially after World War II. Even in the earlier half of the 20th century, pioneers like Heard showed that residential land development could become an industry unto itself when supplemented by promotional efforts. Gammage Jr. (2003, 20) notes that even before the modernization efforts of the CGC, Phoenix leadership "had come to view real estate profit itself as the motivating force for growth" – a realization that concurrently occurred to Los Angeles' boosters as well. After 1949, however, Phoenix's growth truly accelerated into a wealth-generating machine, as the city's population grew 311% in the 1950s (Gammage 2003) and grew at three times the national average in the latter half of the 20th century (Redman and Kinzig 2008). New subdivisions appeared on the urban fringe almost daily, often leapfrogging over closer available parcels and developing productive farmland to translate lower land costs into higher profits; this rapid growth led to a number of environmental issues, such as the loss of Sonoran desert lands and a noticeable rise in air pollution (Luckingham 1989). The growth machine remained strong throughout the century, with the exception of a few significant downturns; for example, in 1980 the metro area had "forty-three different development projects either approved or under construction that would occupy 125,000 acres of land with a projected population of eight hundred thousand" (Wiley and Gottlieb 1982, 183).

Reflecting on the rapid rise of Phoenix, the growth of which was paralleled by other Western cities, Wiley and Gottlieb (1982, 165) argue: "Phoenix is a developer's city, a pivot in the Southwest's growth machine, an expansive capitalism's dream come true. It is the prototypical Sun Belt city, with aggressive taxation policies that favor

corporate relocation and new plant development, probooster media and political machinery, new planned communities and subdivision schemes used to attract a continuous wave of American immigration.” Real estate development and construction industries thrived on this “continuous wave” of new settlers, assuming a dominant role in the metropolitan area’s economy by the end of the 20th century. Laing (1988) posited that Phoenix’s economic success is a mirage because of the overarching importance of residential growth compared to manufacturing production. “Despite all the talk of its growing manufacturing muscle, the Phoenix economy remains largely service-oriented, dependent on the health of its resort, retirement and retail industries. As a result, Phoenix has to reinvent itself constantly through marketing to keep outsiders pouring in... Growth, more than any other element, creates the illusion of prosperity in Maricopa County” (Laing 1988, 32).

Many contemporary observers have decried the instability of an economy predicated upon constant scalar growth in housing construction. Ross (2011, 57) argues that the collapse of Phoenix’s economy after 2007, in parallel to but much more drastic than the national economic downturn, indicates the perilous nature of economic strategies based mainly on “servicing population growth.” Yet a deeper perspective on Phoenix’s history indicates that growth, or the prospect of growth, has consistently driven Phoenix’s economy through the self-fulfilling prophecies enabled by generations of Phoenix boosters. Although the scale of recent reliance on growth alone is remarkable, a growth-based economy is nothing new in the Valley of the Sun, and in fact it has been intimately intertwined with the socio-political culture developed in the Valley since the first Anglo settlers set foot in the Sonoran Desert.

Non-local Capital Investment

“Although never noted by individuals in the 1890s, [Phoenix] was a town built on boosterism and with outside investment” (Mawn 1979, 171). This quote betrays the fact that when boosters promote rapid urban growth in Phoenix, the city’s economic success becomes predicated upon non-local investments instead of self-directed development. Regionally located economic development, where wealth is generated from import-replacement and growing stocks of emplaced human and social capital, is a critical component of sustainable urban development. Generative urban economies are seen as more dynamic and flexible in the face of change, and they encourage closer relationships between producers and consumers, and between places and political economic forces, which allow for more self-determination in economic outcomes. As this section demonstrates, however, the historical development of Phoenix has been very significantly influenced by non-local capital and labor, and few aspects of the city’s development can be considered generative by nature. Despite an ideological ethic of self-sufficiency born from the Western frontier, many successful Phoenicians benefitted much more from federal or non-local private investments in city industries and infrastructure than from their own efforts alone (save for boosterism). Furthermore, the relative lack of local investments – or of positive feedback loops where local actors perceive a merger between self-interest, community interest, profit, and local reinvestment – helped strengthen the pre-existing focus on exchange valuation of land at the expense of use valuation.

The influence of non-local capital investment on the growth of Phoenix began with the city’s very founding. The federal placement of Fort McDowell in close

proximity to the Salt River Valley led to a demand for locally supplied food to feed soldiers and horses (Mawn 1979). The area's first agriculturalists, who eventually came together to found the Phoenix townsite, were directly motivated by the federal willingness to purchase the Valley's agricultural produce. After its founding, Phoenix expanded its base of agricultural importers beyond Fort McDowell, but the role of non-local investment continued to be crucial for the city's growth. The 1891 placement of a federal Indian School in Phoenix, which was intended to culturally assimilate Native American children from around the American West into Anglo society, represented a significant boon to the nascent city's economy (Mawn 1979). The Indian School employed numerous people, triggered ancillary effects on the city's economy, and became an institutional anchor encouraging future growth.

Yet the Indian School was only one reason why the following decade represented "a period of increased dependence on outside investment in Phoenix and the Salt River Valley" (Mawn 1979, 175). A number of public works projects crucial for the city's modernization and competitive advantage, such as sewage and electricity systems, were funded wholly by capitalists who had few or no local connections. As Mawn (1979, 209) observes, "The many apparent advances in public services during the 1890s highlighted the willingness of outside financial investors to risk funding the plans of local promoters. For example, there would have been no north-south railroad without Midwestern interests, no sewer system without English capital, and no telephone service without California developers." Since Phoenix had only one locally-owned bank at the time, outside capital investors especially from the Midwest, Denver, and California became especially important for the early growth of the city. The 1887 completion of the railroad

branch line to Phoenix represents another example. Although the line was funded partially through public bonds, a large proportion of the financing was invested by two San Francisco financiers, and this financing was only secured due to the personal and political connections of Phoenix businessmen (Myrick 1980).

Water is of particular importance to a desert agricultural city, and most of the major water projects supporting the rapid urbanization of Phoenix derived significant amounts of capital from out-of-state sources. The initial canals built from the Salt River to open farmland for production were financed by private companies, usually with investment money not generated by agricultural development. For example, Swilling's original "Ditch" company derived its capital from Wickenburg businessmen interested in selling food to mining settlements (as well as Fort McDowell) (Mawn 1979). The high variability in the Salt River's water flow, which was especially troubling during a catastrophic 1891 flood as well as a period of drought beginning in 1898, helped spur efforts to build a major dam upstream to assure a consistent agricultural water supply. The passage of Theodore Roosevelt's National Reclamation Act in 1902 enabled the federal government to subsidize construction of Roosevelt Dam, completed in 1911, to benefit agricultural interests in the Salt River Valley. Although the federal government provided capital, they did also require that local landowners offer their lands as collateral to pay for the costs of dam construction, forming a unique public-private partnership that became the basis for future public water management policy in Phoenix (Gober 2006). Another major water project vital for continued urbanization, the Central Arizona Project (CAP) canal supplying Phoenix and southern Arizona with Colorado River water, was begun 60 years after the completion of Roosevelt Dam. This project, however, was

constructed completely with federal funds after Arizona's congressional delegation convinced Congress and President Johnson to support the project (Gober 2006). The CAP was a fantastically expensive project and perhaps represents the most obvious example of how out-of-state capital investment has been critical to the continued growth of Phoenix.

The outbreak of World War II triggered another round of massive federal investments that directly benefitted the growth of Phoenix. Soon after war was declared, Arizona Senator Carl Hayden persuaded the War Department to locate four air training centers in the Phoenix area (Konig 1982). This decision provided a massive economic boost to local businesses that dwarfed the siting of the Indian School fifty years before; contemporaries estimated the economic impact of the bases at \$3.5 million (Luckingham 1989). In fact it was the prospect of losing this business that convinced the Charter Government Committee to push for changes to the city's political establishment. Large-scale manufacturers catering to the aircraft industry like Goodyear and Alcoa followed the air bases to Phoenix, creating the nucleus of technological development that spawned the postwar electronics industry. Yet this regional economic development is not simply explained by agglomeration effects alone, for the federal government continued to subsidize corporate relocation to Phoenix by offering a consistent stream of defense contracts to major firms. "In their wake came Cold War defense contractors. Aircraft electronic component industries predominated, but they were soon followed by missile component manufacturers... These defense industries produced a multiplier effect, for they, in turn, attracted a host of other manufacturing enterprises" (Konig 1982, 20). Thus the population and housing boom triggered largely by the rapid growth of high-tech industry in the 1950s can be seen largely as an outgrowth of outside federal investment.

Even Phoenix's 20th-century housing industry was seriously indebted to non-local capital and federal investment. Dwight B. Heard, one of Phoenix's first large housing developers, surely used some of the wealth generated by his local farming and newspaper operations to finance his housing business. Yet Heard initially spawned his business kingdom from the massive wealth of his father-in-law, who was a wealthy Chicago industrialist (Luckingham 1989). In later years, housing development became a much larger, more professionalized business operation as entrepreneurs like Del Webb perfected the large-scale development of master-planned communities. Del Webb, however, started his construction firm during the 1930s depression, and New Deal programs to subsidize housing were instrumental in building his business and accumulating the capital needed for future large-scale development. On the eve of World War II, Webb himself observed that "construction is no longer a private enterprise, but rather a subsidiary of the federal government" (Gammage Jr. 2003, 19). In fact, New Deal money played a crucial role in shielding the economy of 1930s Phoenix from the Depression, subsidizing parks, schools, museums, and roads (Luckingham 1989). Of course, in the post-war period the federal government helped subsidize single-family home construction in Phoenix and the rest of the country through the GI Bill and the FHA's mortgage subsidization program. Although this represented a universal grant, Sunbelt cities like Phoenix with plenty of room for spatial expansion and federally-subsidized industries were especially benefitted.

The conflict between a cultural ethic of free market self-sufficiency and the importance of federal government aid became especially clear in the 1960s and 1970s, as Phoenix increasingly accepted federal urban renewal funding. CGC leaders were

philosophically opposed to accepting federal funds, especially for programs framed as social welfare, but they increasingly relied on federal money to support certain priorities. “Selective acceptance of federal funds helped make it possible to improve law enforcement and to slight or ignore anti-poverty programs; it allowed Charter Government to establish philosophical priorities, maintain a low tax rate, and stay within state budget limits on city expenditures” (Luckingham 1989, 178). As Phoenix approached the mid-1970s, the CGC finally began to lose its decades-long grip on municipal politics, and a new class of leaders increasingly relied on federal funds to address service provision and poverty issues directly and indirectly related to rapid urban growth. Phoenix received millions of dollars from the 1972 State and Local Assistance Act and the 1974 Housing and Community Development Act, and as a result the amount of federal aid received by the city rose from \$14 million to \$89 million between 1972 and 1978 (Luckingham 1989). Hall (1982, 54) notes that “federal aid represented an increasingly large share of total city operating expenditures during the 1970s, while local revenues decreased as a proportion of total expenditures.” Rapid growth put a strain on city services, since municipalities had to cover many of the infrastructure costs associated with spatial expansion, but authorities decided to use federal funds instead of taxes on the development process to continue providing services. “Accepting federal aid was considered better than raising taxes or reducing services...[and] most Phoenix officials, while calling themselves fiscal conservatives...[felt] that the New Federalism entitled their city to a fair share of tax sharing. As Senator Goldwater put it on national television in June 1979, ‘The most vociferous citizens of the cities of my state against high taxes and federal control are also the most vociferous citizens calling for federal aid to cities’”

(Luckingham 1989, 182-183). By the late 1970s, municipal policymakers were often conflating urban renewal grants and general fund revenue when referring to the city's finances, and federal aid was increasingly distributed across the entire city's population instead of being channeled to specific anti-poverty programs (Hall 1982).

The investment of non-locally generated financial capital is not the only way Phoenix's growth has been imposed more from outside than self-generated, however, as non-local human capital has been equally important for Phoenix's continued success. Mexican labor in particular has been a crucial part of Phoenix's economy for its entire history, despite a strong undercurrent of racism. The initial agricultural operations serving Fort McDowell in the late 1860s relied on the "labor and expertise" of Mexican immigrants, and soon after the official founding of the Phoenix townsite roughly half of the town's population was Mexican (Luckingham 1994). Although the proportion of Mexicans declined as Anglos rapidly moved to the Valley in the following decades, the importance of this imported labor continued, and even boosters noted in promotional pamphlets that Mexicans provided cheap and reliant sources of agricultural labor (Luckingham 1994). In fact, foreign labor was so crucial to Phoenix's early success that large agricultural capitalists like Dwight Heard heavily lobbied Congress to exempt Mexican labor from strict 1917 immigration laws, an effort which ultimately succeeded (Luckingham 1994). Yet despite their importance, the Mexican community in Phoenix was systematically segregated and excluded from the main, Anglo-dominated institutions of the city. Mexicans were increasingly segregated in industrialized South Phoenix by institutional redlining and informal discrimination, and the area did not receive the same services as Anglo neighborhoods for many decades of the 20th century (Bolin et al. 2005).

Although political leaders attested to the importance of Mexicans by lobbying Congress, they simultaneously enacted political reforms to disenfranchise Mexican communities, such as a 1913 political shift to a city manager system where municipal representatives were elected at large instead of by geographical district (Luckingham 1994). Mexicans were not the only source of non-local human capital, however, since much of Phoenix's rapid growth was due to emigration from other parts of the United States, especially California and the Midwest (Gober 2006). Gober (2006) points out that in modern Phoenix locally born residents only represent 1/3 of the city's population, with the rest coming from migrants, and that even this 1/3 is largely generated from recent migrants.

From a historical perspective, Phoenix's growth economy has been primarily transplanted to the region by capital generated in other locations. It is hard to imagine that the nation-leading rates of growth common in the latter half of the 20th century could have been accomplished by homegrown population increases and economic activity. Non-locally generated growth before World War II has been connected to frontier capitalism and the importance of Chicago industrialists in the development of the American West (Cronon 1991; Gober 2006), while after the war it is conceived as part of a larger federal shift towards subsidizing the rise of the Sunbelt (Wiley and Gottlieb 1982).

Far from standing on its own feet, then, Phoenix (and other Sunbelt cities) was a prime beneficiary of federal tax and spending policies that redistributed wealth and industry away from the Frostbelt states... The federal tax structure, for example, allowed corporations to write off plant closures, count relocation as business expenses, and win lavish investment credits for new technology

products. In effect, the corporate flight to the South and West to escape unions and regulations was heavily subsidized and refinanced by the federal government. Frostbelt deindustrialization and Sunbelt growth were two sides of the same government coin. (Ross 2011, 64)

Today, Phoenix continues to benefit from federal spending programs. For example, Phoenix receives federal highway funding, matching funds for light rail expansion, and stimulus funding for the airport's new rail system. Yet a social and political spirit embracing free market principles and "rugged individualism" remains relatively unscathed, setting up future conflicts between the area's ideological adherences and the historically-imposed necessity of government support for Phoenix's growth economy.

Property Speculation

As cheap land opened up to the west, the profits to be harvested from land appreciation far outweighed any sustenance that could be eked out of raising livestock and selling crops. Consequently, a speculator's psychology kicked in, and economic mobility from the proceeds of resales became a standard expectation...The same speculator psychology would take hold in the mind of the late twentieth-century homeowner. A home became less a shelter than a tradable asset, and for those whose income reached a plateau in midlife, resale value of their houses had to be a dependable revenue source. (Ross 2011, 32)

Arizona is the native haunt...of three species of poisonous lizard: namely, the Gila monster, the land speculator, and the real estate broker. (Abbey 1977, 147)

Land and property speculation, as reviewed in Chapter 2, has significant implications for sustainable urban development. When empty land or even a house becomes viewed as a “tradable asset” rather than a good deriving value from the emplaced nature of everyday life, communities can become increasingly disenfranchised from control over socio-economic outcomes. When property at large is defined in terms of exchange value, the instabilities of capitalism become magnified through boom-and-bust cycles; for example, the first major financial crash in United States history was caused by western land speculation (Ross 2011). As the following section details, Phoenix is no stranger to property speculation. The speculative treatment of land has been engrained in Phoenix since the city’s founding and continues today, a fact that may sow conflict between sustainable development’s adherence to regional culture and dedication to use value-based urbanism.

In late 1870, numerous groups of settlers in the Salt River Valley began political negotiations over the location of a permanent Phoenix townsite. Naturally most groups were looking to establish the town close to their existing landholdings, to enhance the value and convenience of their agricultural property. It quickly became clear, however, that most interested parties were specifically looking to maximize the chances of owning land suitable for profitable resale. After a number of proposals, one group of farmers specifically argued for a neutral townsite that was free of Indian ruins and thus more profitable to clear for development. “They also opposed the Hellings millsite, or any other site in the original settlement, and urged that the town be placed on unoccupied land, so all interested parties would have an equal opportunity for speculative investment” (Mawn 1979, 20). Once a compromise site was finally chosen, town leaders

immediately moved to form a town association that would provide governance and a legal structure for the new settlement. Although necessary for social stability in any new settlement, the establishment of governance was considered especially urgent because current residents wanted to discourage claim jumpers and squatters while quickly improving the new land “to promote quick lot sales” (Mawn 1979). When Maricopa County was created the following year, with Phoenix declared the county seat due to resident political connections, these boosters “quickly followed up their electoral success by offering more town lots for sale” (Mawn 1979, 27). As Ross (2011) suggests in the section’s opening quote, these early settlers were clearly motivated more by the expectation of profitable land speculation than by the generative economic possibilities presented by the Valley’s fertile soil and available water resources.

In the following decades, property speculation continued to be a motivating force in the workings of Phoenix’s economy. Speculation was especially common when the extension of major water or transport infrastructure added value to neighboring properties and presented an opportunity for profit. When the 1887 branch railroad to Phoenix was officially announced, land speculators quickly became interested in Valley real estate; one lumber dealer from Tombstone, for example, bought 700 acres in Tempe near the railroad before construction was even completed (Myrick 1980). The railroad’s announcement triggered a business boom across the Valley and real estate began selling at higher prices (Myrick 1980). Yet the most savvy businessmen understood the connection between infrastructure, land values, government incentives, and speculative profit, and they specifically undertook infrastructure projects with the intention of profitable land sales. The Arizona Improvement Company, a venture by W.J. Murphy

that developed canals and water infrastructure on the edges of Valley settlement in the 1880s and 1890s, specifically promoted the development of townsites in conjunction with their water projects. Partnering with non-local investors, the company created the still-existing towns of Glendale and Peoria to profit from residential development driven by the availability of water (Mawn 1979; Zarbin 2001).

The passage of the federal Desert Lands Act in 1877 enabled many of the speculative efforts pairing water infrastructure and land development, and the lack of regulation contained in the law (compared to the earlier Homestead Act) allowed land fraud to become synonymous with land speculation (Zarbin 1995, 2001; Larsen and Alameddin 2007). Under the act, homesteaders could apply to buy 640 acres of government land at bargain prices simply by showing one-time evidence of property irrigation; buyers did not have to live in-state, and a lack of oversight combined with outright corruption allowed “entrepreneurs” like Murphy to develop complicated schemes to appropriate land for speculative sales. Murphy first pursued a virtual monopoly on irrigation canals in Phoenix, attracting foreign investment from around the country to his canal company and buying out other canals when water disputes arose. Next, Murphy took advantage of the lax provisions of the Desert Land Act, soliciting hundreds of land claims from “dummy entrants” (many of whom were from Murphy’s hometown in Illinois and had never been to Arizona). By coordinating with the dummy entrants and bribing an official in the General Land Office, Murphy was able to “sell” government lands to buyers by forcing the dummies to relinquish their rights to the property right before the buyer was ready to buy; the bribed official ensured that the land would be reclaimed by Murphy’s buyer. Under this scheme, not only did Murphy likely

collect a “finder’s fee” from the “sale,” but if the buyer wished to farm the land, he or she was forced to buy water rights from Murphy’s canal company (Zarbin 2001). In some situations, Murphy even received land rights before the required water rights, falsifying documents to skirt the law. The territorial Surveyor-General at the time lamented that “Speculators of all degrees have now turned their attention to the facilities offered by the desert-land law...and I fully believe more perjury is committed now under this law than at any time in the history of the Territory to acquire public domain” (quoted in Zarbin 2001). In 1912, a Congressional investigation determined that Murphy and others had indeed fraudulently acquired public lands, but all escaped prosecution due to the statute of limitations. These actions thus have become a foundational aspect of the Valley’s history: the initial townsites of Glendale and Peoria were created under Murphy’s scheme (Zarbin 2001), and a similar fraud was conducted by Dr. A.J. Chandler in the founding of the Chandler townsite (Zarbin 1995).

The 1877 law represented an “open invitation to systematized land fraud across the West” largely due to the synergies between available government resources and land speculation. The history of Phoenix helps confirm theories that link the actual functioning of speculation with government incentive structures as well as with outright fraud (Chapter 2). In fact, Larsen and Alameddin (2007) show that many of Phoenix’s biggest turn-of-the-century boosters were able to profit on speculative land schemes due to close political connections to and understanding of government initiatives. Dwight Heard, for example, used his political influence to encourage state leaders to build the first vehicular bridge over the Salt River at Central Avenue rather than in downtown Tempe – a move that increased the value of his large ranch landholdings in south Phoenix. In another,

more ingenious example, Moses Sherman and another investor bought a large amount of land west of downtown Phoenix in the early years of the Phoenix townsite. When Phoenix boosters were able to secure the new territorial capital from Prescott only 25 days after Sherman's purchase, Sherman graciously offered to donate some of his lands for the state capitol complex – a move that drastically increased the value of his land holdings surrounding the capitol area, enabling him to develop and speculatively sell this land to investors while increasing ridership on his trolley system. Thus much of Phoenix's early land speculation was not "pure speculation" alone, based on general community growth and land value increases, but rather predicated upon the confluence between government investment, private infrastructure monopolies, and growth.

Phoenix's streetcar system, constructed beginning in 1887 with capital from New York and California investors, quickly became the most widely used vehicle for infrastructure-based property speculation. Streetcar lines extending west, east, and north of the city were constructed to specifically enhance the value of real estate holdings at the ends of the lines (Luckingham 1989). Especially after the electrification of the system in 1893, suburban growth of residential subdivisions based on streetcar lines was widely apparent on the edges of Phoenix, and other property owners began paying streetcar operators to route cars through their properties. "At the turn of the century, the lines were extended beyond the city limits, bringing with them an ability to develop new areas. A number of individuals and small investment companies began platting land on the outskirts into subdivisions with lots of about 50 feet by 130 feet... Real estate owners and investors, recognizing the value of the streetcar line, were easily convinced to pay the construction costs of extending the rail lines. As a result of streetcar expansion, 16 new

subdivisions were platted in the year 1909 alone” (Gammage Jr. 2003, 11-12). The pernicious effects of land speculation are considerably muted when infrastructure improvements and land sales are financed by the same entities, as opposed to speculators who profit from neighboring infrastructure investments without improving land or financing the infrastructure. Yet the widespread practice of pairing real estate and transportation development, replicated in many American cities, illuminates the ways in which wealthy individuals can profit from urban population growth alone when the extent of their financial and political capital holdings produce monopoly-like effects.

The connections between population growth, land speculation, and residential development became professionalized and institutionalized in Phoenix after World War II. The rapid and sustained population influx to the Valley became a seemingly inevitable and everlasting source for business profit to the major banks, civic leaders, law firms, land speculators and developers involved in Phoenix’s growth economy. A template of development was established that included a multi-step process of speculative development: initial speculators would purchase large tracts of land on or past the urban fringe, holding it until it appreciated and attracted development interest; a second institution would buy the property, work to secure zoning entitlements, and perhaps even build or encourage the building of utilities infrastructure needed for residential housing; and finally, a developer would buy the development-ready property and build housing, possibly in conjunction with a separate home builder.¹ Yet speculative practices filtered down to smaller groups and individuals, sometimes concerned only with the sale of existing housing. In this period “there was a shared vision of Phoenix as a place not only

¹ Steven Betts interview, October 19, 2012.

to get a job, but to get rich quick, as reflected in wide participation and frequent success of real estate entrepreneurs and private citizens turned speculators” (Redman and Kinzig 2008, 260).

Wiley and Gottlieb (1982) argue that the “get rich quick” mentality supported by rapid growth led to a business atmosphere where public corruption was rewarded. Arizona Governor Bruce Babbitt even appeared on the national news program *60 Minutes* to warn of widespread government corruption related to land speculation, where legislators and policymakers were easily bribed to provide zoning approvals for fraudulent land deals (Wiley and Gottlieb 1982). The way in which Phoenix’s deregulated post-war growth economy incentivized speculative development strategies, both legal and illegal, evokes the business atmosphere surrounding the Savings and Loan scandal a decade later. Not surprisingly, Arizona was one of the primary locales for the fraudulent land development schemes promoted by S&Ls (Calavita et al. 1997). Western Savings and Loan became a prototypical example of the S&L crisis: it engaged in a variety of massive land deals with financial institutions and speculators (Laing 1988), and by the end of the 1980s it had gone bankrupt and was taken over by the Resolution Trust Corporation, costing taxpayers \$1.7 billion (AP 1994). The head of Western, Gary Driggs, was indicted in 1994 on ten counts of fraud-related charges stemming from Western’s land dealings (AP 1994). Many companies involved in such paper money schemes often sell assets to one another when regulators began to question their true worth, an act that obscures and delays market assessment of overvalued assets (Laing 1988; Calavita et al. 1997). Ultimately, Arizona witnessed a serious real estate bust in the

late 1980s due to massive overinvestments in real estate largely driven by the confluence of speculation and S&L schemes (Laing 1988).

The prophecy of financial capital shifting from primary to secondary circuit investments, as posited by critical theorists, was realized in Phoenix's 20th century boom. Laing (1988) notes that many regional, national, and international firms "diversified" their business by investing heavily in Phoenix-area real estate in the 1970s and 1980s. These massive speculative investments, sometimes in raw land without an intention to develop, clearly contributed to the real estate bubble that emerged. For example, Phoenix-based Talley Industries – a producer of aerosol devices, steel rods, and defense industry products - "had some \$135 million of its \$423 million in assets tied up in real estate development projects and raw land" (Laing 1988, 30). Other companies used more coordinated strategies to find an outlet for excess capital in Phoenix's growth economy. Arizona Public Service, a major electrical utility in the Phoenix area that by the mid-1980s had compiled hundreds of millions in capital, departed drastically from its original mission by purchasing S&L MeraBank for \$426 million, spending \$450 million on undeveloped land, and using Pinnacle West Capital Corporation and SunCor as residential development entities. When the speculative bubble surrounding real estate began to burst, Laing (1988, 34) observes that "the synergy envisioned by Arizona Public Service just two years ago – SunCor developing huge mixed-plan communities that would boost electric usage and create mortgage and loan demand for MeraBank – will remain a dream deferred." This type of growth-focused collaboration between finance, development, and utilities is highly evocative of Logan and Molotch's (1996) description of the municipal "growth machine."

The rapid rise and even quicker fall of the nation's real estate market over the past fifteen years has generated a national conversation about the effects of real estate speculation conducted both by small investors and enormous financial firms. Few cities in the country were as directly affected by real estate fluctuations as Phoenix. Before the 2008 financial crisis, housing in the Phoenix area appreciated at such a high rate that house "flipping" became a common practice by individuals and firms alike. People employed in various industries began personally buying and selling houses, sometimes even training to receive real estate licenses, in order to profit from the boom. Land speculation in downtown (a topic covered in detail in Chapters 5 and 6) was especially rampant. "Among the housing units sold before the crash, there were a high proportion of buyers seeking investment properties or second homes, as downtown became a land bonanza, with out-of-state speculators buying and flipping lots like breakfast pancakes. The price of lots on Roosevelt, in particular, skyrocketed as successive buyers won City Hall's approval for ever-taller building heights. Many of the buyers had no intention, nor any experience, of building anything" (Ross 2011, 89). Yet even after the financial crisis, speculative real estate investment continued to dominate Phoenix's real estate market, especially since the crisis drastically lowered property prices and created an artificially induced window for future accumulation. For example, non-profit affordable housing providers attempting to buy low priced properties after the crash were often outbid by housing speculators with much greater capital reserves. Non-profits targeting specific neighborhoods and price ranges to meet the needs of prospective, middle-income buyers

were often disadvantaged when speculators entered the market, free from such use-based or price-based constraints.²

Today, close to 20% of Phoenix's single-family homes and condominiums are owned by massive hedge funds and real estate investment firms who swept into the post-crash market to buy recently devalued properties (Reagor 2012). This trend has doubled the number of rental properties since 2000 and has increased home values by 40% in the past year, providing much needed aid to the struggling housing market but also preventing many local buyers attempting to buy houses through conventional means (Reagor 2012). These investment firms, a majority of which are based outside of Arizona, can often outcompete local homebuyers because they can quickly pay cash for properties instead of waiting for mortgage approval. The business strategies of these new investors do not seem to be based on quick house flipping, and some specifically state that their business model is predicated upon rental income, not speculative sales. Yet other observers worry about the massive scale of these corporate holdings and firms' lack of local commitment. Real estate experts note that when only a few major investors dominate the rental housing market, sudden shifts in corporate strategies could instantly destabilize the already fragile market. "If the big companies decide to take their profit in five to seven years and move on, real-estate insiders worry that a flood of houses back on the market could send prices spiraling down again" (Reagor 2012). The core of this problem is that local properties continue to be bought and sold as tradable assets under a mentality informed by exchange valuation, and these corporate buyers have no loyalty or incentive to reinvest accumulated capital in the regional economy. This promotes an

² Allen Carlson interview, November 8, 2012; Ross 2011.

obfuscation of the place-political economy relationship and decreases the resilience of the Phoenix economy. “Investors helped stabilize Phoenix’s housing market,” said Mark Stapp, director of real-estate development for Arizona State University’s W.P. Carey School of Business. ‘My concerns are that too many investors are treating Phoenix’s homes as a commodity, and not the area as a community’” (Reagor 2012).

Growth-predicated Public Policy

As the preceding sections illustrate, expectations of future urban growth often inspired urban boosters and guided the business strategies of corporations throughout the history of Phoenix. Yet the growth paradigm has also seeped into official public policies as well. A number of municipal policies developed over the course of the 20th century were predicated upon expectations of future growth, and often based on the notion that urban growth can “pay for itself.” This trend illuminates problems with reconciling existing governance in the Phoenix area with a possible future transition to sustainable urban development.

In the 1950s, rapid suburban growth on the fringes of urbanized Phoenix created a number of challenges for municipal policymakers. Growth often “leapfrogged” over more proximate vacant parcels and occurred on land farther away from the urban core, where prices were cheaper. This pattern led to problems with providing utilities and transport infrastructure, and as a result, the city created the Phoenix Growth Committee in 1956 to work with municipal officials to identify “municipal development needs” (City of Phoenix and Maricopa County 1959; Konig 1982). After a number of proposals, including ideas to raise property taxes or seek additional sources of revenue to finance

needed infrastructure, the committee simply decided to issue municipal bonds based on the widely shared expectation of future urban growth and future increases in the municipal tax base. In 1958, the committee backed a \$70 million bond proposal, quickly approved by voters, where improvements “were financed out of growth itself” (Konig 1982, 36). This policy decision helped set the precedent for a growth-based economy in the region, an outcome rapidly realized as housing construction assumed an ever larger portion of the region’s economy over the course of the 20th century. Today, despite the recent crash, some municipal institutions continue to be oriented around growth. For example, the Phoenix planning department is directly funded by real estate development fees, and in the recent economic crisis the decline in new development projects forced it to seriously cut back its workforce and planning functions (Ross 2011).

One of the most fundamental and significant ways Phoenix policy is predicated upon the growth paradigm derives from the city’s municipal tax structure. Bowman and Pagano (2004) argue that the “land-tax dynamic” is one of the primary drivers of how municipal governments approach land development. Most cities in the United States rely on either property taxes or sales taxes to generate revenue, usually relying on just one source or emphasizing one over the other; only in a very few cases do American municipalities tax income. Cities that emphasize property taxes tend to be focused on increasing property values, thus increasing revenue, and will often encourage residential infill development or invest in other improvements to urban land. Cities reliant on sales taxes, on the other hand, incentivize commercial development and often attempt to compete with other local municipalities to attract out-of-district spenders, thus exporting tax burdens outside of the municipality (Bowman and Pagano 2004). While both property

and sales tax revenue benefit from growth in urban population and housing (and even property tax dependent municipalities can become dependent on urban growth and speculative property values for revenue, e.g. McCarthy 2011), they tend to encourage different types of development quality. Property taxes are by definition derived from residents (or absentee owners), and property tax municipalities are incentivized to develop vacant or underutilized land and improve local quality of life in order to raise property values. Sales tax municipalities are less incentivized to improve resident quality of life and more focused on quantitative growth in commercial retail in order to export tax burdens to tourists or neighbors. In general, the difference between property and sales tax municipalities is roughly the difference between qualitative, place-focused development and quantitative, non-locally derived growth – a split with clear parallels to the divergence between scalar growth and sustainable urban development.

The City of Phoenix, and most Valley municipalities rely overwhelmingly upon retail sales tax revenue, although state government does allow municipalities to tax property. A series of growth-oriented policy decisions have led to this sales tax focus. For example, when federal urban renewal aid used by Phoenix to subsidize general city services began to dry up in the early 1980s, the city decided to raise sales tax rates instead of raising other forms of taxes or cutting services (Luckingham 1989). Due to the Valley-wide dominance of sales tax, municipalities have often used regulatory or financial incentives to compete with neighbors to attract commercial development, and such development is often placed near city borders in order to maximize the number of non-local spenders (Bowman and Pagano 2004). For example, as the city of Peoria has grown, municipal leaders have specifically pursued of strategy of aggressive annexation and

commercial development near its border with Glendale to better retain the sales tax revenue of residents and draw additional funds from Glendale consumers (Bowman and Pagano 2004). When the city of Chandler decided to build a new mall on its border with Tempe, to attract Tempe consumers and compete with Tempe's mall, Tempe convinced Chandler to drop the plans in exchange for a percentage of the sales tax revenue generated from the existing mall (Bowman and Pagano 2004). Gammage Jr. (2003) argues that this intra-urban competition is counter-productive for all Valley municipalities and is based on longstanding efforts to rely on non-local sources of revenue within a growth economy. "Our infatuation with sales tax is part of historic pro-growth attitudes and expectations – newcomers, tourists, and future generations will pay the tax...[This] obsession with sales tax distorts land-use patterns and leads cities to fight one another for their piece of a limited pie. We should either reduce the proportionate reliance or create metropolitan-wide means of sharing some portion of sales taxes" (Gammage 2003, 135).

Growth-based public policy also raises a more fundamental question: does growth pay for itself? The suburban sprawl that has extended out from most American cities has often been justified by the economic argument that new properties and free-spending residents add to the municipal tax base. Yet numerous authors disagree, observing the high costs of providing service infrastructure to new developments and noting that a majority of studies find new housing developments usually represent a net fiscal loss (Logan and Molotch 1996; Ross 2011). While the municipal boosters behind the "growth machine" frame growth as an unquestionable addition to the "collective good," Logan and Molotch (1996, 318) argue that "for many places and times, growth is at best a mixed

blessing and the growth machine's claims are merely legitimating ideology, not accurate descriptions of reality." A number of non-monetary considerations provide further evidence that growth may not pay for itself. For one, when economic growth represents a transfer of employment, retail space, or capital investment from one municipality to another, it becomes a zero sum game for the region or nation at large even if a specific municipality can point to a tax base increase. Two, fiscal analyses of the benefits and costs of growth typically do not factor in externalities like added pollution, traffic, or carbon emissions that can seriously impact quality of life. Finally, even if urban growth represents a net fiscal benefit for a municipality and its encompassing region, growth-based economic success can become an unsustainable trap by creating a "vicious cycle of crisis-oriented growth addiction as various infrastructures collapse from overuse and are replaced by still larger facilities, which then can only be paid for with additional growth that again creates another crisis of overuse" (Logan and Molotch 1996, 319-320).

The question of whether growth is financially and socially beneficial has been roundly debated in Phoenix. Luckingham (1989) observes that in the post-war history of Phoenix growth, "services always seemed to lag behind the population explosion," triggering increasing numbers of resident complaints and ultimately spurring the city's government to institute new sales taxes to improve service provision. One study from 1998 indicated that, due to municipal provision of service infrastructure to new housing developments, residents of the urban fringe receive more public tax expenditures per capita than inner city residents (Guhathakurta and Wichert 1998). In that same year, the Morrison Institute's study of the metropolitan area's growth economy – commissioned by the state legislature – directly confronted the "growth machine" mentality by providing a

laundry list of reasons why growth does not pay for itself (MI 1998; Ross 2011). Yet Gammage Jr. (2003, 128) provides a strong rebuttal to these arguments, noting that most cost-of-growth studies do not factor in variables other than initial public investments, and generally attempt to represent a dynamic, changing urban system with “static snapshots of costs, benefits, cross-subsidies, and wealth transfer.” He argues that these studies do not recognize larger, more complex regional interdependencies and transfers of benefits. “The balkanizing methodology of isolating a neighborhood within a city to measure the economic revenue/cost sustainability of that precise area is neither realistic nor desirable and is ultimately meaningless...But more fundamentally, the method itself is flawed: different subsidies flow in different directions at different times” (Gammage Jr. 2003, 128-129).

The author goes on to note Phoenix’s historic and cultural adherence to the growth paradigm and widespread acceptance of the positive benefits of growth, further arguing that any negative consequences could be negated by simply instituting development impact fees attached to building entitlements – a policy prescription already adopted by many Valley cities. The municipal assessment of development impact fees was specifically enabled by the state legislature in 1987 (Heim 2001), and counties were granted a similar power under the state’s 2000 Growing Smarter legislation (MAG 2002). A Maricopa Association of Governments report indicates that, in 2001, 17 of 23 Valley municipalities assessed impact fees related to new residential, commercial, or industrial construction in order to pay for a variety of capital infrastructure, like sewer systems, roads, parks, and fire stations (MAG 2002). Fee types and rates vary widely across the region, but in many municipalities these fees are sizeable and can cover a significant

amount of public infrastructure costs related to growth. For example, a focus on Chandler fees and housing prices indicates that development impact fees raise the sales price of average new single family homes by 6.6% (MAG 2002). Thus, to a large extent, development impact fees enable residential growth to “pay for itself” in terms of public infrastructure costs.

Yet there are also significant downsides to the current policy structure surrounding development impact fees in many areas, issues that weaken the ideal of self-paying growth. Competition for commercial development amongst Valley municipalities leads many governments to waive impact fees, which can lead to “shortfalls in infrastructure funding and/or capacity” (MAG 2002, 2); although state statutes prohibit the selective application of impact fees, municipalities are allowed to pay the fees for developers provided that payment isn’t derived from other impact fee revenue. The Valley also lacks a regional development authority or legal arrangement to provide new infrastructure relevant at the regional level, such as roadways. As a result, certain towns are often burdened by new traffic related to development in neighboring jurisdictions, without receiving impact fee revenue to compensate. While county governments can assess impact fees or enter into legal arrangements with municipalities to share infrastructure fee revenue and costs, these types of agreements are rare because counties and municipalities often compete for development, and even when on the same page, counties often cannot meet the financial expectations of such agreements due to a lack of sales taxation power (MAG 2002). Thus many of the issues related to development fees and self-financed growth are closely intertwined with the regional emphasis on sales taxation, which inherently privileges intra-regional competition, non-progressive taxes,

and less planned growth patterns. Furthermore, even when impact fees are collected, these costs are often transferred to the consumer (as the housing price study above suggests). While both homebuyers and renters may see their housing costs rise significantly as a result of the fees, renters and affordable housing are often hit disproportionately hard because fees are not scaled to housing prices (MAG 2002). Although in this scenario the costs of growth are still borne by the residents triggering that growth – and thus can possibly disincentivize scalar growth while privileging existing housing – it is likely that the original intent was to finance growth-related infrastructure from developers' profit margins.

Generative Development and the Future of Phoenix

One of the main tenets of sustainable urban development suggests that regionally-generated economic development is generally more dynamic, resilient, and locally controllable than development imposed from outside. The history of Phoenix provides a few examples of such generative development. For example, the technology of evaporative cooling – a precursor to the air conditioning unit – was invented in Phoenix to mitigate the extreme summer heat. By 1930 an industry had sprung up to produce these units, and it quickly expanded, soon exporting $\frac{3}{4}$ of its products to other national or international cities plagued by low humidity, high temperature climates (Konig 1982). This example of invention and industrial expansion based on region-specific knowledge represents a good example of Jacobs' (1969) notions of generative economic development and the export-multiplier effect. The success of John F. Long's home construction business represents another example of generative economic development.

A native Phoenician who as a youth worked on his family's farm, Long began his business inadvertently, building a house for his family that he ultimately sold due to an irresistible offer. He reinvested his profits in local home construction, building houses with his own labor and quickly assembling a vibrant business. In the process, he devised a number of innovative mass building techniques, as well as marketing techniques, that he eventually applied to the mass construction of the Maryvale community (Gober 2006) – a landmark achievement in the history of housing development that helped spur Phoenix's tradition of master-planned communities. Although like many developers Long was motivated by accumulation, it is important to note that he reinvested profits in place and used his own labor to generate home building innovations – a distinctly local process of economic development with multiplier effects for the local economy, such as knowledge spillovers and the recirculation of wealth.

The larger history of Phoenix, however, suggests that these examples of generative development are outliers; Phoenix is by and large an economy and society imposed from afar, with non-local sources of capital and residents. The myriad ways in which Phoenix's growth was triggered by non-local private and federal investments often solicited by city boosters (as summarized above) provide the clearest indication of this trend. For example, Phoenix's electronics and aerospace industries were not generated in the Valley, but instead relocated here suddenly, following the federal placement of air bases and issuance of defense contracts. Although this corporate migration did create demand for a number of ancillary supporting industries (e.g., in metal products, etc.), building a more dynamic economy, the core innovations behind these industries were not developed in Phoenix and firms were not reliant on the city's larger base of human

capital (as shown when many firms relocated to Austin and other cities from the 1970s onward). In light of the city's economic history, Jacobs (1984) might classify Phoenix as a "transplant region," where industrial firms that have already achieved a critical mass of business success are free to relocate plants (and equally free to move them someplace else if costs can be lowered). Storper (1997, 48) observes that sometimes regional economies are not dynamic, instead just "a mere locational repository of organizational and technological worlds or artifacts, exogenously driven, exhibiting little regional coevolution."

The ways Phoenix's economic success increasingly depended on scalar urban growth seem to have increasingly precluded a generative regional economy. Kelly (1964, 18) describes Phoenix as "a searching city, always trying to shorten the lag between what it must become via necessity and what it hopes to attain." In constantly searching for new sources of growth, often from readymade sources of non-local capital, Phoenix was able to achieve economic success at a rate that may be incompatible with the patient, incremental nature of generative development. This represents the classic *r*-strategy of growth: beating competitors by claiming resources more quickly, but perhaps at the expense of long-term, developmental strategies with more stability in the face of change. By privileging rapid growth, Phoenix not only relied on more obscured, less controllable sources of financial capital – essentially abstracting the place-political economy relationship – but it also tended to decrease the tangibility of the other relationships central to sustainable urban development. As postwar growth rapidly replaced Phoenix's farming-based economy with one predicated upon housing development and defense industries, Phoenicians gradually lost contact with the social and ecological infrastructure

that had previously been their socio-economic lifeline. The network of old canals had previously served as places of social interaction and recreation (Gober 2006), while reminding residents daily of the critical importance of water in a desert farming community; yet in the postwar era, “the hydrology of the irrigated agriculture was becoming more engineered and less visible to most citizens” (Redman and Kinzig 2008, 259). Furthermore, “as city limits spread, an increasing number of citizens did not have contact with farmland or even see it as part of their region” (Redman and Kinzig 2008, 259). In this way, Phoenix’s growth obscured the tangibility of the producer-consumer relationship related to water use, while also removing the canal spaces providing a distinct sense of place as well as a nucleus for the cohesion of community life.

Can sustainable urban development, as conceived in the literature, be successfully promoted in Phoenix? Can Phoenix shift from an economy based on exchange-value oriented scalar urban growth, where low-density development and capitalism are naturally paired, to a generative regional economy focused on local use values and dynamic urban environments? These questions are contentious because they pit a local ethic of bioregionalism – as derived from other locales like Seattle – with Phoenix’s local ethic of growth boosterism and speculative development. Gober (2006) notes that policies proposed to manage urban growth by setting growth boundaries were defeated at the polls in 1996 and 2000, indicating a deeper cultural adherence to the growth economy. As Gammage Jr. (2003, 69) proclaims, “what others see as sprawl, we see as our heritage.” Thus it seems that the regional culture and sense of place exuded by Phoenicians – critically important to contemporary ideals of sustainable development – may be intricately linked with the growth-based, speculative mentality that consistently held

sway over residents since the city's very founding. This means that Phoenix's emplaced identity may stand in stark contrast with other pillars of sustainable development, which advocate reductions in land and resource exploitation and reflexive, locally-based development.

Yet the growth machine of Phoenix development may be increasingly challenged by new visions of urban success, visions more in line with sustainable urban development. Gammage Jr. (2003) states that the political consensus surrounding growth has been lost due to the growing number of city residents who see growth and quality of life more as a zero-sum game than a mutually beneficial team. Although a major proponent of Phoenix's residential development economy, Gammage Jr. (2003, xvi) admits that times may be changing, stating that "we need to have a clearer and different focus on the nature and quality of the growth that occurs, the kind of jobs, and the character of what we build." Citing Governor Napolitano's inauguration speech, Gammage (2003, xvi) sums up the challenge of negotiating a middle path between Phoenix's long history of scalar growth and the possibility of a qualitative 21st century economy. "Her implicit challenge is that we find a new 'big ambition' as a replacement for population growth as the consensus goal of Arizona's future. Doing that will not be easy, for it requires translating the frontier spirit needed to make Phoenix boom into a focused urban ambition that makes Phoenix distinctive" (xvii).

The Current State of Phoenix Urbanism

The explosion of low-density, suburban style residential growth in Phoenix after World War II produced long-lasting effects on the city's urban environment. Phoenix's

central business district, the hub of commerce from the city's founding until the late 1950s, very quickly went into socio-economic decline by the early 1960s (Luckingham 1989). Retail commercial sales in downtown declined 35% from 1958 to 1963, as new subdivisions and malls catering to automobile-oriented customers proliferated around the Valley (Ross 2011). At the same time, exurban growth driven by speculative, exchange-oriented development processes was increasingly characterized by "leapfrog" patterns of land use. Leapfrog development describes the practice of developing open land located past the existing urbanized fringe, creating pockets of undeveloped land within an urbanized area (Heim 2001). The primary driver of leapfrog development is the "capital gain" available to developers who produce the same housing products as in other areas, but retrieve additional profits from the lower cost of land in outlying areas (Heim 2001, 246). Leapfrog development was so rampant in the Phoenix area that by 1980, when combined with the city's annexation of peripheral land, 40% of city land was vacant (Luckingham 1989).

The social effects of leapfrog development and urban divestment were felt almost immediately by residents and policymakers. In 1959, a task force established by the Phoenix City Council to investigate leapfrog development concluded that the city possessed a high number of "intermittent vacant parcels" that tended to make public services less efficient and more costly. When combined with lax zoning, these development patterns contributed to highly mixed land uses that negatively impacted existing residents, generating "physical, economic and social conflicts which adversely affect the long-term stability of neighborhoods" (City of Phoenix and Maricopa Co. 1959, i). In the following decades, the City of Phoenix instituted a number of policies to combat

the costs and social effects of leapfrog development: a 1987 ordinance instituted development impact fees, and in 1995, an Infill Housing Program was created to encourage infill development on vacant land (Heim 2001). The city also began a targeted program in the late 1970s to encourage infill development in downtown Phoenix (summarized in Chapter 4). Yet the “growth is good” mentality pervading city policy in the 20th century continued to hold sway (Luckingham 1989), and leapfrog development continued apace until the 2008 collapse of the national housing market. As a result, Phoenix became home to a staggering amount of vacant urban land. One municipal vacant land survey from 2000, which measured the amount of vacant land in 49 American cities, found that Phoenix reported the highest amount of usable vacant land in the country – 128,000 acres – which was over ten times the national average (Bowman and Pagano 2000). Although this is again partially attributable to the city’s aggressive annexation of peripheral desert land in advance of expected development, it is clear that leapfrog development in combination with central city disinvestment has triggered highly discontinuous residential development across the metropolitan area (Heim 2001).

Many authors have argued that the existence of vacant land in urban areas has serious negative impacts on the social and economic health of neighborhoods. Abandoned properties tend to decrease the socio-economic vitality of urban neighborhoods by creating gaps in the urban landscape, decreasing the amount of usable community space and often becoming sites for criminal activity (Schilling and Logan 2008). These properties can undermine the visual appearance of a district as well, discouraging new investments and lowering property values (Accordino and Johnson 2000; Bowman and Pagano 2004). Although vacant property has long been viewed as a

symptom of larger problems associated with urban decay – sometimes in the context of life cycle theories of neighborhood – authors are increasingly emphasizing that vacancy is a driver of urban problems as well (Accordino and Johnson 2000). These authors see vacancy as key in a vicious cycle of decline, where abandonment lowers property values, dis-incentivizing fresh investment and triggering an outward migration of residents (Accordino and Johnson 2000) that further spreads abandonment like “contagion” (Bowman and Pagano 2004, 2). While landlords engaged in property milking and gentrification speculators may benefit from the rent gap opened by such cycles of devaluation, it is clear that use values inherent in physically and socially close-knit neighborhoods are seriously impacted by the spread of vacant land. This is perhaps magnified in the hot desert environment of Phoenix, where large tracts of unshaded vacant land can make pedestrian travel in summer months a physically hazardous activity. Addressing a growing number of crime, property value, and quality of life issues related to abandoned property, Phoenix’s Neighborhood Services Department hosted citywide public forums in 1992 to solicit resident feedback. “In one neighborhood after another, residents demanded that absentee landlords be held accountable for the upkeep of their property, that the city take more aggressive action to remove graffiti, and that, where possible, empty buildings be used for community functions. The general consensus was that the presence of vacant lots and abandoned structures diminished the sense of community. In transitional neighborhoods, the concern was that more vacancy and abandonment would lead to full-scale blight” (Bowman and Pagano 2004, 92).

Remedies for urban vacant land issues invariably include calls for infill development that can provide new housing, service, and social opportunities for residents

while triggering positive feedback loops of reinvestment (see Chapter 7 for detailed recommendations). Yet infill development initiatives often must not only tackle individual development projects, but also confront existing political orientations and planning regulations which encourage low-density, suburban style urban environments motivated by growth economies, exchange valuation and capitalist accumulation. Levine (2006) observes that many current zoning laws, especially in Sunbelt municipalities like Phoenix, are arranged to specifically prevent dense development while encouraging the generous street widths and lot sizes of suburbia. Although some argue that zoning laws represent an extension of the free market, chosen freely by consumer-citizens, the author presents a cogent argument that widespread regulatory restrictions on dense housing have unduly restricted consumer choices despite documented market demand for such housing (Levine 2006). At the same time, others question whether such demand truly exists in a city like Phoenix, where residents' identities are closely tied to a suburban lifestyle. Gammage Jr. (2003) notes a lack of consensus about further density in Phoenix, observing specific neighborhoods where existing residents strongly resist plans to increase residential density. The "Phoenix lifestyle" is closely bound up with "sense of place," and this cultural value may be in direct conflict with infill development. Yet the ideology of sustainable urban development may be incompatible with a suburbanized sense of place, implying that non-native urban values should be elevated in a broader initiative to promote sustainability.

Ultimately, infill development of vacant land is a critical issue for sustainable urban development. Urban density has been linked with a number of sustainable development outcomes, such as increased social capital and human development,

regional economic development spurred by vibrant, mixed-use neighborhoods, and ecological development allowed to flourish by redirecting land development towards existing urban areas (Chapter 1). When vacant urban land is generated as a socio-economic externality of a growth-based economy – where exchange value-oriented planning encourages land speculation and leapfrog development – infill development is doubly important because it may entail a socio-political shift from a quantitative, growth-based economy towards a qualitative, development-based economy, from a preoccupation with capital accumulation towards a recognition of social equity and use value. As Ross (2011, 247) argues in the Phoenix context, “a concerted program of equity-minded green investment in the myriad vacant lots that dot central urban areas would transform and humanize the character of the metropolis.” A shift to socially-minded infill development would also imply a possible rebalancing of property rights: not a radical change in ownership regimes, but a shift away from excessive focus on individual rights to include more recognition of property interdependencies. This type of recalibration would allow residents more political influence over neighboring land uses, augmenting the functioning of the public sphere and allowing a new focus on community-based use value. It holds the promise of promoting healthy, tangible relationships between residents and their communities, as well as allowing better local control over the political economy of development. Thus, infill development at least holds the promise of generating positive multiplier effects in the transition towards sustainable urban development.

In the following chapters, the political economy behind the infill development of vacant properties in downtown Phoenix is studied in detail. This study was conducted to

better understand the public and private barriers to the implementation of infill development and the realization of sustainable urban development, especially in a city influenced by both neoliberal policy prescriptions and growing calls for sustainable development. It was partially motivated by calls for “detailed critical empirical research” into the nexus between sustainable development and neoliberal public policy (Raco 2005, 344); Raco (2005, 330) states that “the extent to which sustainable development agendas and frameworks take on neoliberal forms becomes an empirical question to be interrogated in and through specific case studies which can then be used to inform theoretical inquiry.” This research is intended to do more than provide an investigation into the ideologies of a specific contemporary political economy, however; it is equally focused on understanding political economic systems so that normative visions of sustainable urban development can be implemented in the future.

Chapter 4: A History of Infill Development Initiatives in Downtown Phoenix, Arizona

In the last three chapters, theoretical notions of sustainable development have been dissected and reconstructed, compared to critical social theory, and used to reflect upon the rapid growth of the Phoenix metropolitan area. A wholesale shift in economic ideology from growth to development was proposed to tackle some of the sustainability issues surrounding modern capitalist economies. Sustainability is closely associated with a transition from economies based on scalar growth in land, energy, and material usage, which are responsible for an array of negative environmental impacts, towards economic development that relies on dense, diverse, and equitable urban environments to generate bioregional knowledge-based economies, socio-political coordination, and cultural production (Chapter 1). The production of such environments, however, is prone to be coopted by capitalist forces more focused on financial accumulation than the use-inspired outcomes of sustainable urban development (Chapter 2). These forces tend to perpetuate growth-based economies in American cities like Phoenix, and as shown in history, economic ideologies and public policy mechanisms have become closely intertwined with the growth paradigm (Chapter 3). Although some theorists and practitioners warn that government initiatives to promote sustainable urban development are easily hijacked by neoliberal policies, allowing the greenwashed deployment of capital towards unsustainable development patterns (Chapter 2), more study is needed to understand exactly how the conflict between sustainable development and neoliberal development is manifested in contemporary American cities.

Despite decades of adherence to the growth paradigm, where economic growth was achieved primarily through low density suburban construction on the urbanized fringe, the city of Phoenix has shown a distinct interest in promoting a new direction for economic development predicated upon infill development, dynamic urbanism, and knowledge-based economies. This chapter will trace the emergence of this mentality in Phoenix. It will focus specifically on government efforts to promote sustainable urban development and to balance this initiative with the deeply embedded economic ideologies surrounding neoliberalism promoted by private citizens, businesses, and policymakers. Two research questions help frame this analysis:

1. What government efforts over the past 60 years have encouraged sustainable infill development in the downtown core of Phoenix, and do these efforts represent a distinct shift from a growth-based to a development-based economy?

2. How have these municipal initiatives negotiated a balance between sustainability and neoliberal ideologies when coordinating infill development, and has public-private entrepreneurialism trumped community-derived redevelopment initiatives? To answer these questions, the history of government policy aimed at revitalizing central Phoenix will be reviewed and compared to actual development outcomes, with a specific focus on the City of Phoenix's attempts to satisfy the variety of development ideologies competing for political attention.

A variety of data sources informs this analysis. A range of policy documents, plans, and reports produced both by municipal authorities and other non-profit entities are utilized to show the progression of thought surrounding urban economic development. These documents are supplemented by secondary sources providing more general

analyses of development politics in Phoenix. Finally, 33 interviews were conducted by the author in the Phoenix metropolitan area with stakeholders involved in downtown Phoenix development – an array of property owners, developers, zoning attorneys, businessmen, and policymakers – to better understand the nuances of infill development politics and common opinions held by stakeholders (all interviews were conducted by the author).

Urban Decline and Automobile-based Redevelopment Efforts

Until the mid-1950's Downtown Phoenix was the unquestioned heart of the Phoenix metropolitan area in terms of business and retail activity. Residents from all over the area routinely traveled to downtown for shopping, business deals, and nightlife. Yet like many American cities, suburban residential construction exploded after World War II to accommodate returning veterans, establishing a newly decentralized urban environment. As residents increasingly moved to suburban subdivisions on the fringes of the city, retail and business services followed suit, quickly diminishing downtown's former monopoly on Valley commerce (Gober 2006). While downtown Phoenix accounted for 52% of the city's retail sales in 1948, this number quickly fell in parallel to suburbanization, dropping to 28% by 1958 and 3% in 1972 (Gober 2006, 175). The watershed moment in downtown's decline came with the opening of Park Central Mall along North Central Avenue in 1957, which convinced big downtown retailers like Goldwater's to abandon the district in favor of the growing trends towards automobile-oriented shopping experiences (Gober 2006; City of Phoenix HPO and RA 2010). As a result, over the next 15 years many properties went into serious decline or were

abandoned, creating an increasing amount of blighted or vacant land in the core of the metropolitan area.³

The opening of Park Central Mall was critically important for the direction of Phoenix's urban development not only because it heralded a new era of automobile-dominated urban planning, but also because it helped trigger a wave of high-rise office construction along North Central Avenue (Gober 2006). Entrepreneurial real estate developers like David H. Murdock predicted that the future of commercial office development lay north of the old downtown and began actively assembling large parcels along Central Avenue; by 1960 numerous developers were competing to build new office complexes in this uptown district (City of Phoenix HPO and RA 2010). The first buildings along the corridor included the Central Towers south of Park Central Mall, the Phoenix Corporate Center (Merabank Tower) completed across from Park Central Mall, and the Guaranty Bank building (first tower in the Rosenzweig Center) just south of Indian School Road (City of Phoenix HPO and RA 2010). Luckingham (1989, 197) argues that the initial development of the Rosenzweig Center, which subsequently led to construction of two more on-site office high-rises, represented a tipping point in the high-rise development market. North Central Avenue became the sole target for new investment, "nailing the lid on the coffin of downtown Phoenix."

The city's planning department, still in its infancy, quickly realized the northern flight of development capital but did little to counter the trend. The city's first attempt at urban planning had occurred in 1920, when the Phoenix Planning Commission employed a firm to enact City Beautiful style planning principles, and a comprehensive zoning

³ Larry Lazarus interview, September 14, 2012.

ordinance was first adopted in 1930 (Gammage Jr. 2003). The city did not create a planning department until 1947 (City of Phoenix and Maricopa County 1959), however, and once created the department showed little allegiance to the central city urbanism which had supported the area's economy since the founding of Phoenix 80 years before. In 1959, the Phoenix Planning Commission recognized that the city's central business district was in decline and prepared a downtown land use plan to adapt to the new situation (City of Phoenix 1970). Yet the Planning Department was simultaneously awarding high-rise zoning entitlements to developers along North Central without a coherent strategy in place, prompting Luckingham (1989, 197) to argue that "in those days the city's planning policy was 'not to plan at all'." By 1962, downtown business interests realized that the future of the district was in doubt and began to advocate for public investments in downtown. Local leaders formulated a redevelopment program which would utilize public money to build government offices and regional cultural facilities such as a civic auditorium, convention center, and performance theater. The Phoenix Civic Plaza Corporation was formed in 1963, ultimately leading to the construction of Phoenix Civic Plaza and Symphony Hall by 1972 (City of Phoenix HPO and RA 2010). One author notes that this event space-based redevelopment strategy represented the "precursor" to the subsequent stadium-based strategies for revitalizing downtown (City of Phoenix HPO and RA 2010).

Yet at the same time as the city poured public money into governmental projects downtown, the city increasingly saw automobile dependent development as the future of Phoenix and took steps to encourage this type of growth. The city contracted with two consulting firms in 1967 to produce a strategic plan for central Phoenix, and by 1969 the

firms had delivered the Central Phoenix Plan (City of Phoenix 1969a; 1970) along with a larger, citywide sister plan (City of Phoenix 1969b). The Plan specifically endorsed high-rise construction along North Central Avenue between 3rd St. and 3rd Ave., essentially codifying and ordering the development pattern begun over ten years prior (City of Phoenix 1971; see Figure 1). Although the Planning Department had neglected to direct prior high-rise development, the Central Phoenix Plan specifies that “the existing physical development pattern is the starting point” and assumes that the decline of downtown and move towards North Central are existing, irreversible trends (City of Phoenix 1969a, 5). The plan’s authors buttress these assumptions by arguing that the plan is “based on real things,” such as the current functioning of the real estate market, and thus is intended “not to create visions of the future, but to prepare for the future” (City of Phoenix 1969a, 5). This fatalistic, almost self-contradicting perspective on urban planning – which stands in contrast to the concurrent, targeted municipal investments downtown – perhaps owes a debt to the laissez faire economic ideology of the Goldwater era.

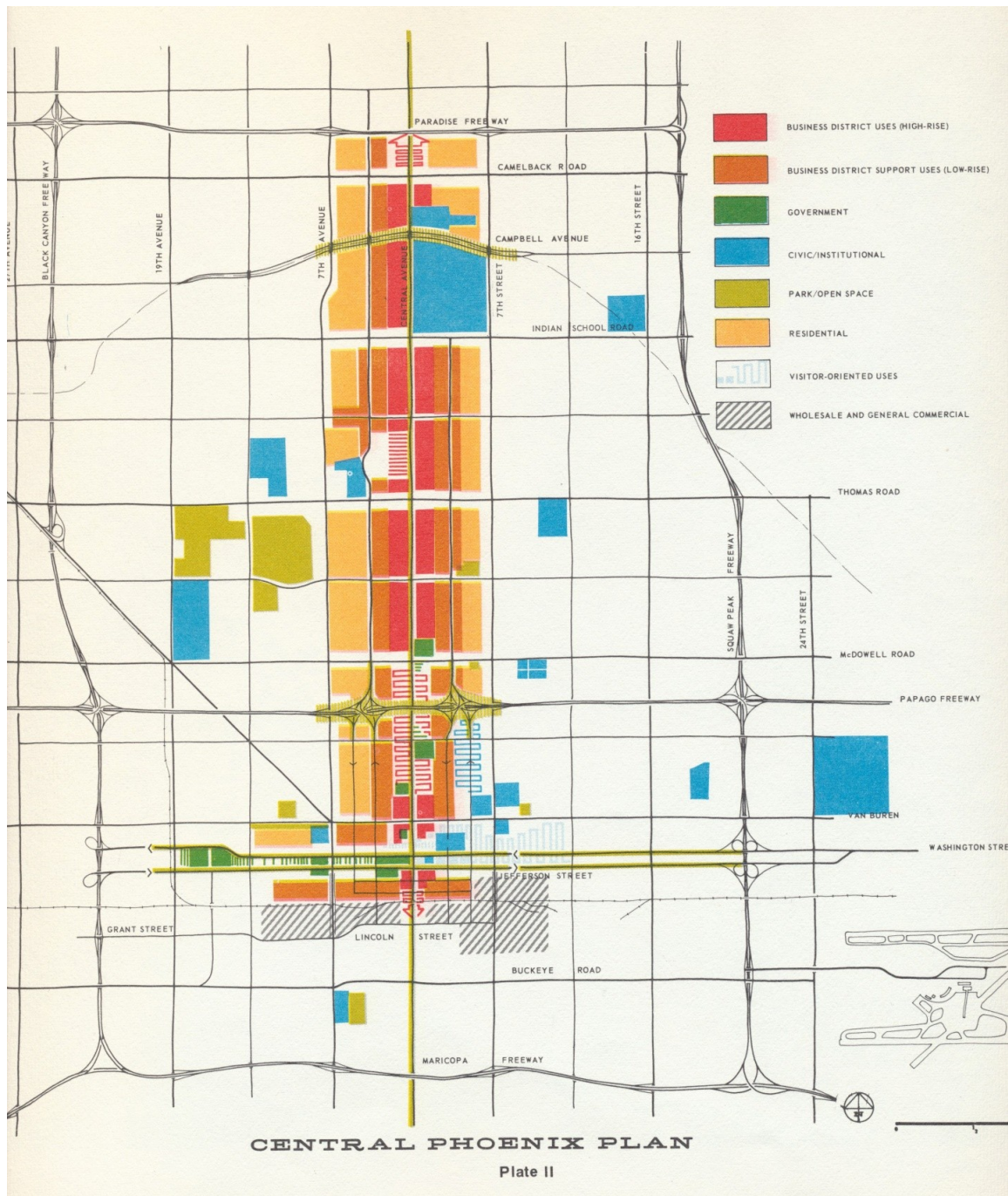


Figure 1. Central Phoenix Plan land uses propose a narrow corridor of high-rise density from downtown to uptown Phoenix (City of Phoenix 1969a, p.4)

Although it specified high-rise density within a targeted area and a density transition zone reminiscent of the new urbanist transect concept, the Central Phoenix Plan was fully committed to the automobile-dominated planning paradigm common in the era. The “Central Business Corridor” along North Central is intended to be linear specifically so that high-rise buildings can be “evenly distributed, without dense clusters” allowing “free moving automobile circulation” – a feature seen crucial for cementing the area as a premier business location (City of Phoenix 1969a, 5). A major concern of the plan is that the corridor will become overbuilt and too congested, and thus care is taken to assure that auto traffic can reach the towers from a variety of high capacity east-west routes (connected to the future Black Canyon and Squaw Peak freeways). The plan specifically rejects mass transit as it “would require dense concentrations of population – the very concentrations that many people came here to avoid” and because ultimately “transit is a supplement to, not a substitute for, private cars” (City of Phoenix 1969a, 13). This linear planning technique is even extended into downtown Phoenix, based on the notion that downtown is currently too congested and could use “improved parking and an open spacious environment” in the blocks immediately behind two targeted corridors (Central Avenue and Washington/Jefferson Streets) (City of Phoenix 1969a, 7; see Figure 2). Although the Central Phoenix Plan and the larger, citywide Comprehensive Plan 1990 (City of Phoenix 1969b) were ultimately rescinded and changed by the city’s General Plan in 1985, it produced an urban environment in line with its goals, triggering the construction of numerous high-rises culminating in the 1991 construction of the Dial Tower (Viad Tower).

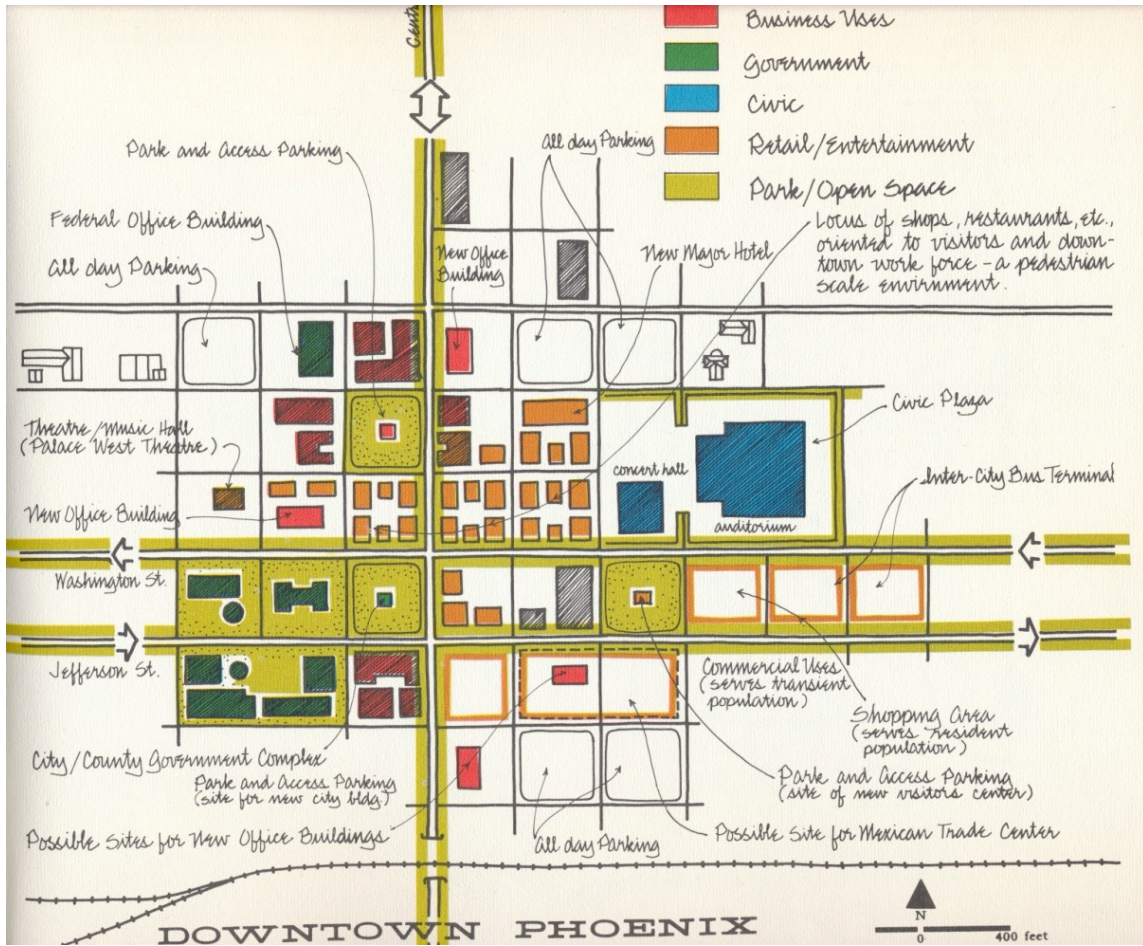


Figure 2. The plan for downtown Phoenix in the Central Phoenix Plan proposes linear corridors of development along Central, Washington, and Jefferson Avenues with abundant parking behind each corridor (City of Phoenix 1969a, p.52).

As in many American cities, public-private collaboration aimed at building large event and entertainment spaces became the focus of urban redevelopment efforts in downtown Phoenix from the mid-1980's. After the downtown municipal buildings boom in the 1960s and 1970s, this effort represented a next generation of privately-encouraged public redevelopment efforts oriented around automobile access to large theaters, stadiums, and civic buildings. The Phoenix Community Alliance (PCA) was formed in 1983 by a coalition of business leaders, with the encouragement of city government, to provide coordinated leadership aimed revitalizing the downtown core (City of Phoenix 1991; Ross 2011). In 1990, the PCA was joined by another public-private organization, the Downtown Phoenix Partnership (DPP), which was more specifically focused on the downtown district. Together, PCA and DPP helped broker deals with city government that funneled millions in public money towards public-private development projects primarily focused on public entertainment, including Patriots Park, Herberger Theater, Phoenix Convention Center, Arizona Science Center, the Orpheum Theater (renovation), Burton Barr Central Library, Hance Park, America West Arena (US Airways Arena), Bank One Ballpark (Chase Field), and Dodge Theater (Comerica Theater) (City of Phoenix 1991; Gober 2006). Although supporters argue that these efforts helped create a wealth of modern infrastructure in downtown and directly led to over \$1 billion in private investment (City of Phoenix 1991), others have emphasized that public subsidies for such development enriched "a powerful group of downtown investors, spearheaded by sports and real estate mogul Jerry Colangelo" (Ross 2011, 81).

These urban redevelopment initiatives were clearly intended to bring people and activities back to downtown Phoenix, but they presented a one-dimensional vision of

urban dynamics that largely ignored residential living, small business success, and dynamic pedestrian experiences. This vision was clearly predicated upon automobile travel to and from events, ignoring the possible spillover effects of pedestrian activity in downtown. This orientation is best represented in the City's "Sunburst Traffic Management Plan," created in 1998 "to provide smooth, evenly distributed traffic throughout downtown" when multiple events are scheduled (Callow 1999). Under the sunburst concept, traffic entering and exiting the downtown district is purposely directed into all four quadrants of the district to maximize street usage and allow the quickest possible travel. Thirty to fifty police officers and a command center utilizing traffic cameras are all deployed purely to optimize traffic flow (Callow 1999). Although the Sunburst Plan has been highly effective in its stated goals, policymakers are currently reviewing the assumptions underlying the plan that prioritize traffic movement over pedestrian experiences (City of Phoenix 2012). Given a newfound emphasis on dynamic, mixed-use urban environments predicated upon the introduction of light rail and the growth of the local arts community, the City may alter the plan sometime in 2013 (City of Phoenix 2012).

The City's 1995 infill housing program represents another infill development effort inspired by an automobile-based urban vision. The program was created to stimulate development of vacant land in central Phoenix, including both downtown and a range of outlying districts, to provide affordable, owner-occupied housing and to stabilize deteriorating neighborhoods (Bowman and Pagano 2004). To do so, the initiative offers a series of incentives for developers willing to invest in targeted areas, including development fee waivers and relaxation of regulatory constraints. Although the program

targets infill development and community stability, it only applies to the construction of single-family homes, does not include more dense or mixed-use projects, and has been largely targeted to low density, automobile-dependent areas (Bowman and Pagano 2004).

The automobile-first mentality towards economic development in the Phoenix metropolitan area perhaps reached its peak in November 2000, when the Citizens Growth Management Initiative was directly presented to voters. This proposition aimed to impose strict growth boundaries on development at the urbanized fringes of Maricopa County, in order to direct development inwards towards more dense patterns (Gammage Jr. 2003). Although initially popular in polls, perhaps due to the long-growing complaints by residents about the negative aspects of suburban expansion, the measure was ultimately defeated decisively at the polls after a heavy lobbying campaign by the developer and homebuilder lobbies (Gammage Jr. 2003; Gober 2006). The results allowed the Valley's traditional suburban growth machine to proceed unchecked into the 21st century and failed to provide incentives or disincentives to encourage infill development.

Neobohemian and New Urbanist Strategies of Urban Development

Although automobile-dependent strategies of development continued to exert dominance over Phoenix's growth patterns through the end of the 20th century, an alternative perspective on development derived from ideals of dynamic urbanism began to emerge decades before the failure of the 2000 growth management legislation. This counter vision, roughly similar to sustainable urban development as elaborated in Chapter 1, emerged from the increasing influence of the national new urbanist movement as well

as from local arts community activists engaged in the everyday machinations of downtown Phoenix's political economy.

The precursor to the new urbanist vision perhaps arrived in the late 1970s with the Planning Commission's Urban Village plan. After conducting a variety of studies, an "urban village" concept was presented to and approved by the City Council which established nine villages within the city, each with a higher density core intended to provide key services to the local population in a more dense and efficient manner (City of Phoenix 1979b; City of Phoenix 1983a; Gober 2006). Each village is planned to include a core area, gradient area, and periphery both to encourage increased infill density and to minimize automobile trips to services (City of Phoenix 1983a), with a specific focus on creating "high intensity pedestrian oriented cores with a full mix of activities" (City of Phoenix 1979b, 12). This strategy was ultimately codified in the city's comprehensive 1985 General Plan, and represents a distinct step towards recognizing the value of dense development nodes despite also encouraging further movement away from a "single-core model" based on downtown Phoenix (Gober 2006).

A separate grassroots approach to urban redevelopment emerged more organically in this era, however, relying more on entrepreneurial and ideological initiative than top-down government planning. In the 1980s, local artists began renovating older warehouse and retail storefronts in the downtown core, opening galleries and beginning a process of arts-based revitalization (Ross 2011). Yet this movement ran headlong into the events-based redevelopment initiative supported by business and governments leaders, and before long many artists were displaced from the warehouse district to make way for the

construction of America West Arena.⁴ Although city officials were somewhat receptive to the growing arts-based, mixed-use redevelopment spontaneously emerging at the time, and considered alternate sites for the arena just outside of the downtown district, public-private organizations exerted political influence over city officials and the arena ultimately displaced a number of artists.⁵ Some artists moved to the Roosevelt and Grand Avenue corridors, establishing a new arts district core that has proved more resistant to public-private displacement.

Around the same time, Mayor Goddard announced a new public planning initiative aimed at coordinating downtown redevelopment efforts, and the growing core of artists and urban-minded residents participated in the process and helped orient the resulting planning document around new urbanist goals. The “Downtown Specific Plan,” created through a series of Planning Department committees and public forums and approved by the City Council in 1991, was intended to envision the urban form and development of downtown over the next 25 years (City of Phoenix 1991). Although the plan was intended to complement the events-based redevelopment paradigm supported by the PCA and DPP, and includes a specific focus on parking requirements, it is clear that the plan represents an early adherence to sustainable urban development principles derived from both Jacobs-style urbanism and sustainability ideals. A variety of “character districts” are specified to ensure unique neighborhoods built on historic precedent (Figure 4), and “a mix of intense, pedestrian oriented uses is the key concept governing the design of the character districts” (City of Phoenix 1991, 101). The document goes further to envision a downtown transformed by sustainable development in 25 years:

⁴ Jim McPherson interview, August 9, 2012; Beatrice Moore interview, August 15, 2012.

⁵ Moore, interview.

“Downtown Phoenix is a unique, forward-looking urban center the design and form of which reflect the origins of Phoenix, its regional context, and the climate and natural environment of the Sonoran Desert, incorporating significant historic structures, a continuum of shaded walkways, parks and plazas featuring drought resistant plantings, and reliance on the sun as a major energy source” (City of Phoenix 1991, 7). The Downtown Specific Plan includes other new urbanist development ideas as well, such as supporting mixed-use development, pedestrian and bike circulation strategies, affordable housing provision within mixed-use centers, and public space provision (City of Phoenix 1991).

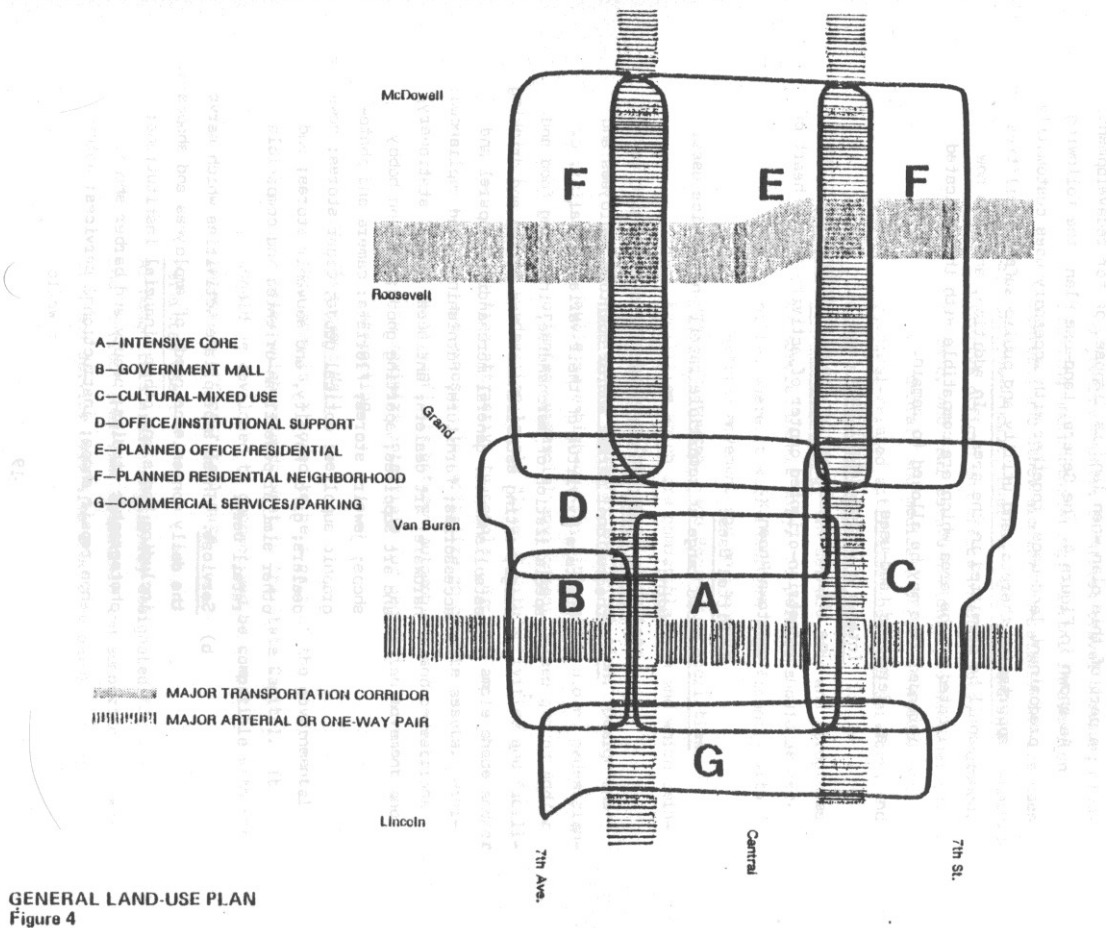


Figure 3. Planned land use areas in the 1979 Downtown Area Redevelopment and Improvement Plan show an inclination towards single-use zoning and represent a precursor to the “character areas” specified in later plans (City of Phoenix 1979a, p.18)

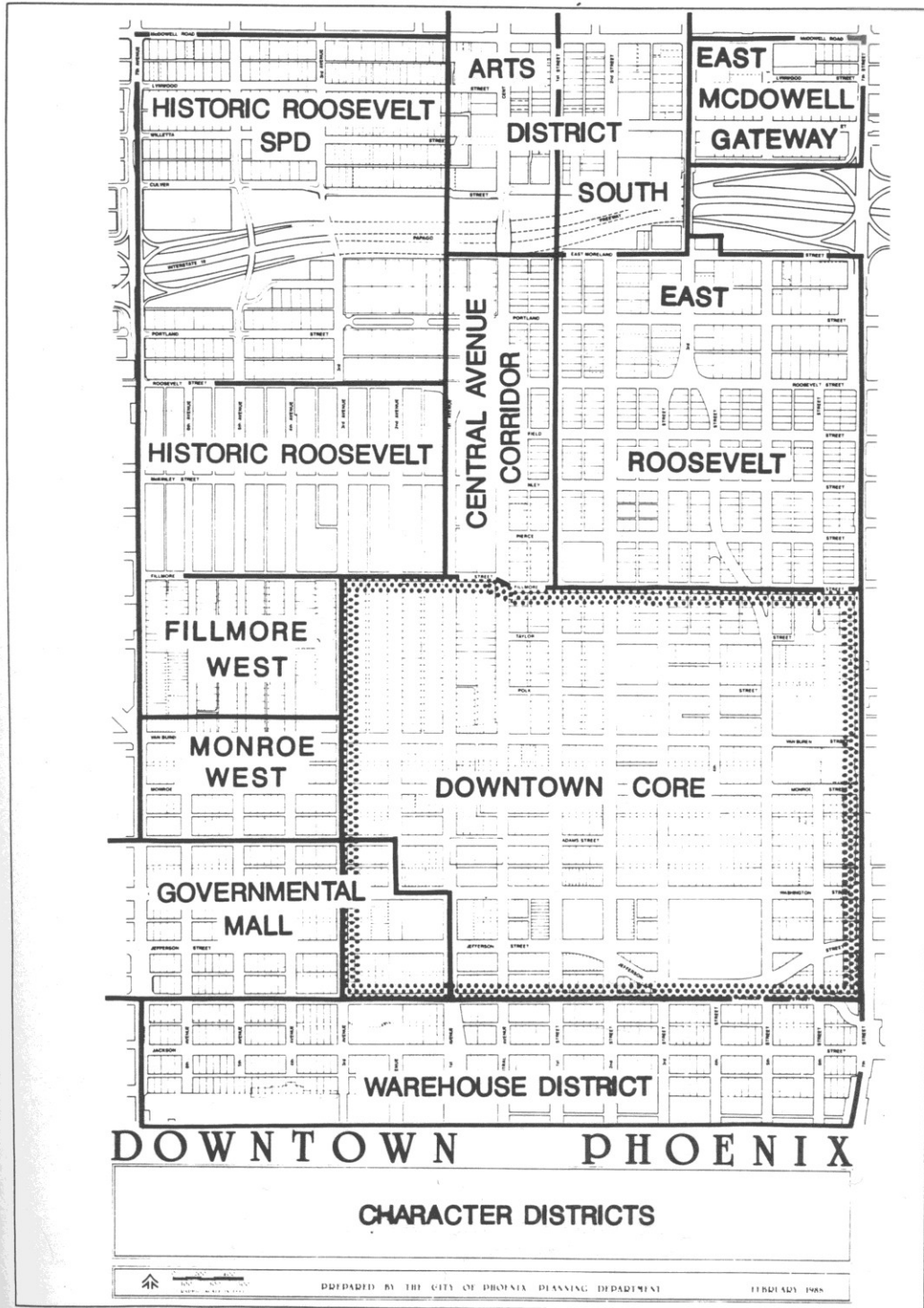


Figure 4. Character districts suggested in the 1991 Downtown Specific Plan represent a precursor to the districts officially adopted in the 2010 Downtown Phoenix Code to shape the area's redevelopment into unique neighborhoods (City of Phoenix 1991, p.9)

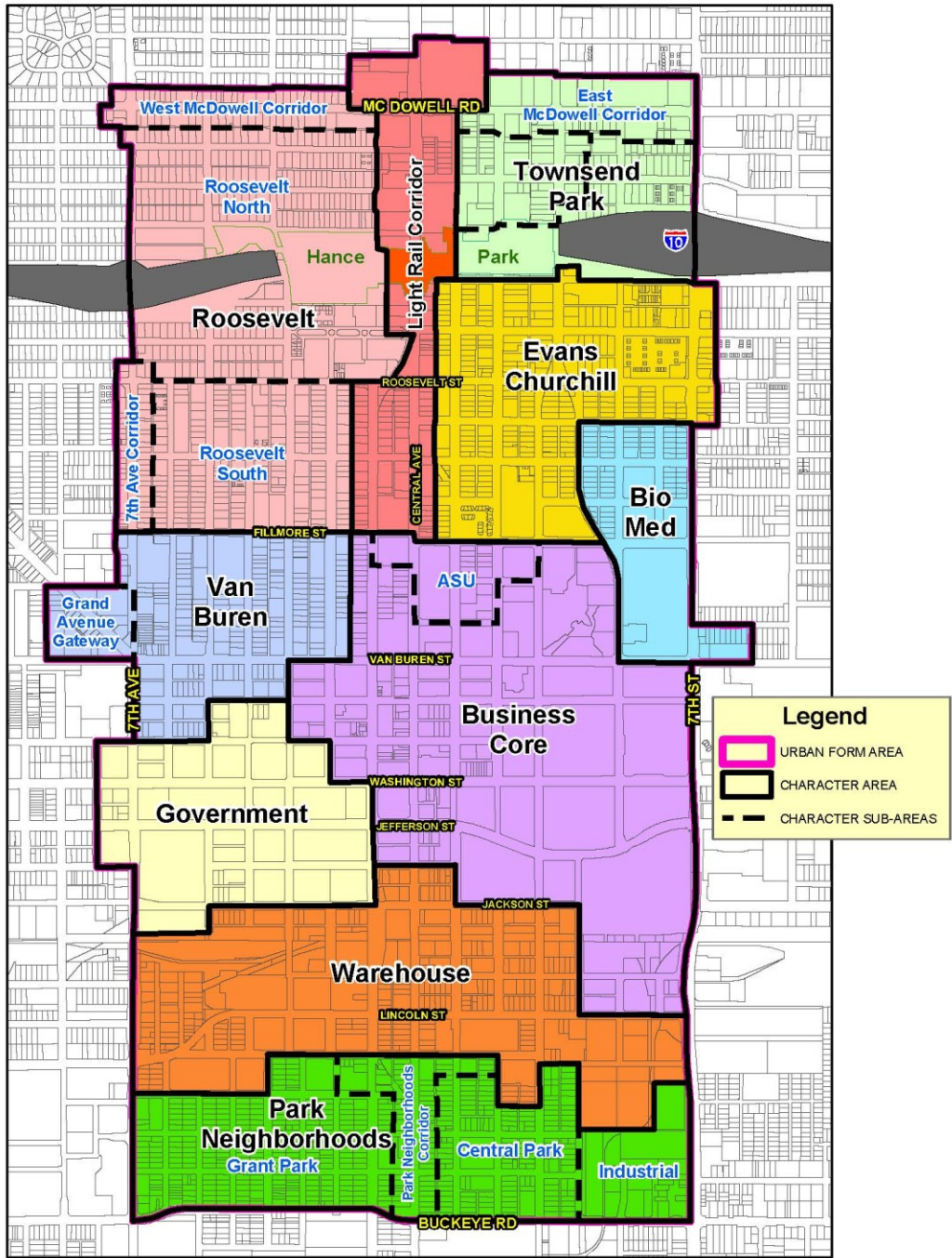


Figure 5. Character districts specified in the 2010 Downtown Phoenix Code each possess a unique mix of zoning requirements aimed at creating unique neighborhoods with dense, mixed-use buildings and a pedestrian-oriented streetscape (City of Phoenix 2008)

As these planning ideals began to receive national attention through the emergence of the sustainable development concept and the 1993 formation of the Congress of the New Urbanism, policymakers in the Phoenix metropolitan area increasingly became receptive to reforming the automobile-based growth paradigm. One concrete step in this direction was taken in 2000, when despite rejecting growth boundary legislation county voters overwhelmingly approved an initiative to strengthen the Valley's mass transit system, including the creation of the Valley's first rail transit system since the 1940s (Gober 2006). Voters approved a new sales tax to fund the improvements, and the following year the federal government offered matching funds to support light rail construction (Gober 2006). Although light rail was not scheduled to open until 2008, the City of Phoenix proactively adopted transit-oriented development (TOD) overlay zoning in 2000 to spur the transition towards dense, mixed-use urban infill development (Atkinson-Palombo and Kuby 2011; Kittrell 2012) and subsequently added a TOD goal to the 2002 General Plan Update (City of Phoenix 2002a; MAG 2003b). In fact, the City's 2002 General Plan Update – a plan providing a non-regulatory framework for land use policymaking – generally reflected the increasing popularity of new urbanist redevelopment strategies. The plan's Growth Area Element, for example, urges new policies for certain urban locations minimizing setbacks and maximizing lot coverage, and the Land Use Element contains a variety of new urbanist reforms geared at mixed-use, pedestrian-oriented urban environments (City of Phoenix 2002a).

To many local arts-oriented business leaders, the new urbanist template increasingly envisioned in municipal plans dovetailed with a generative, grassroots economy centered on local cultural production. The local business movement, which

expanded nationally in the 1990s and 2000s, became increasingly visible in Phoenix largely due to the Local First promotional efforts of local arts community leader Kimber Lanning (Ross 2011). Under this mentality, referenced in Chapter 1, local businesses help recirculate wealth locally not only through direct cycles of sales, profits, and local reinvestment but also through indirect impacts such as employing local graphic designers and accountants.⁶ In interviews conducted by the author, both artists and developers alike increasingly saw the promotion of “small grain” urbanism and culturally generative business as intertwined, noting that downtown business models cannot be simply based upon event-space overflow and large retail projects like the Arizona Center.⁷ Greg Esser, another local arts community leader, helped establish the Roosevelt Row Community Development Corporation not only to protect the existing arts community from displacement but also to promote this type of culturally generative redevelopment model (Ross 2011). This “neobohehian template” for urban redevelopment was concurrently promoted by academic authors as well (Florida 2002; Markusen and Schrock 2006), mostly famously by Richard Florida, who was encouraged to bring his brand of “creative class” ideology to Phoenix in 2003 by the Phoenix New Times and the Phoenix city manager (Ross 2011). Not only do creative workers contribute significantly to regional economies, but regional consumption of arts-based products often leads to the type of import substitution and unique economic production at the core of sustainable urban development (Markusen and Schrock 2006). A series of commissioned reports further cemented this redevelopment trend in the Phoenix metropolitan area, beginning with

⁶ Kimber Lanning, “The Upside of a Down Economy” (presentation, Phoenix Center for the Arts, Phoenix, AZ, September 26, 2012).

⁷ Mark Abromovitz interview, October 30, 2012; James Onken interview, November 1, 2012.

Florida's 2003 report "Phoenix Downtown: Right Place Right Time!" and continuing with studies by the Maricopa Partnership for Arts and Culture (MPAC) (Ross 2011). One such report argued that arts and culture have "considerable multiplier impacts" on the Valley's regional economy, "creating \$344 million in economic activity, \$34.5 million in tax revenues, and 4,000 direct and 7,000 indirect jobs in the Valley in 2000" (MRAC 2004, vii). A later report suggested rebranding Phoenix as an "opportunity oasis" to attract creative class type workers to the central city (Arthesia 2008).

The chorus of arguments supporting sustainable infill development in downtown Phoenix reached a crescendo in late 2003 and 2004, when the city's policies towards infill arrived at a watershed moment. A critical aspect of the neobohebian development template is the introduction of knowledge industries such as education and research facilities, and in June 2003 a coalition of groups broke ground on downtown Phoenix's first such addition – the Translational Genomics Research Institute (TGen) (Gober 2006). Yet even before this groundbreaking, Phoenix mayoral hopeful Phil Gordon and ASU president Michael Crow were boldly discussing plans to move a major academic campus to downtown Phoenix before Gordon was even elected.⁸ First hinted at by an ASU faculty planning committee in September⁹, by early 2004 Gordon was indeed elected and an ASU Downtown campus had become an official component of the city's downtown revitalization strategy, receiving enthusiastic endorsements from the City Council and the Arizona Republic.¹⁰ Noting the desired redevelopment spillover effects of an urban

⁸ *Arizona Republic*, "Downtown 101 our stand: Partnership teams ASU, Phoenix in creating new campus," December 3, 2003.

⁹ William Hermann, "Phoenix campus is key is ASU Plan," *Arizona Republic*, September 3, 2003.

¹⁰ Phil Gordon, "New mayor excited about ASU campus, impact: Phoenix, you can rise again," *Arizona Republic*, January 4, 2004; John Stearns, "Downtown ASU's plans to build a downtown campus with up to

academic campus, one article noted, “Phoenix wants to join the legion of great cities that boast a large urban university -- and all that it means: 24-hour-a-day activity, intellectual discourse, an economic boost to shops, restaurants and entertainment venues. A university downtown would boost construction of new housing and businesses. It would give the city a jolt of intellectual energy, creating a welcome environment to professors and students, scientists and entrepreneurs, young people and those who want to harness the energy and idealism they bring.”¹¹ Furthering the “meds and eds” focus of the neobohebian template (Ross 2011), in August 2004 ASU and the University of Arizona announced plans to build a biomedical research and medical school in downtown Phoenix close to the TGen facility.¹² A month later, city officials and ASU worked together to purchase the first tract of land for the new downtown campus, financially cementing their commitment to education-based revitalization.¹³ Finally, in November 2004, Valley voters approved a voter initiative to fund a drastic expansion in the number of lines planned for the city’s light rail system (Gober 2006). Thus, in a year’s time, an array of policymakers had taken a number of revolutionary steps towards promoting a new type of generative economic development model in Phoenix.

Yet at the same time as these knowledge- and culture-based redevelopment models gained traction among Phoenix policymakers, another round of proposed public-private entertainment-based projects were vying for attention. Another stadium project was proposed for the district – this time, a giant football stadium proposed for the

15,000 students would be a vital piece of a new downtown master plan,” *Arizona Republic*, February 11, 2004; Ginger D. Richardson, “ASU’s downtown plans fit with Phoenix’s,” *Arizona Republic*, April 9, 2004.

¹¹ *Arizona Republic*, Dec. 3, 2003.

¹² *Arizona Republic*, “Med school going downtown: ASU, UA partners in \$150 million building,” August 9, 2004.

¹³ *Arizona Republic*, “Phoenix close to buying land for downtown ASU,” September 21, 2004.

northern end of the district, where the arts community displaced from the warehouse district had re-coalesced (Ross 2011). Furthermore, a group of Phoenix business leaders headed by Colangelo had entered into a business arrangement with the Jerde Partnership, an international development firm known for creating “Disney-style” entertainment districts in Los Angeles, Las Vegas, San Diego, and Japan featuring chain stores, chain restaurants, and public entertainment modeled on theme parks.¹⁴ The local business group, known as Phoenix Futures, attempted to quietly assemble the land, capital, and political goodwill needed to ultimately transform a large percentage of the downtown district in conjunction with Jerde. One critic noted that, despite the active participation of quasi-public entities like the PCA and DPP, the Phoenix Futures group was initially secretive about their plans. “Colangelo and the others -- including members of the Downtown Phoenix Partnership and Phoenix Community Alliances -- are tightlipped about exactly what's going on. While insiders say the secrecy is about staving off the kind of real estate speculation that has paralyzed development in parts of the downtown core for decades, Colangelo's critics say it is about giving the power brokers time to corner the market before presenting a master plan to a compliant Phoenix City Council.”¹⁵ Phoenix Futures supporters argued that the project was broadly intended to revitalize the district, to the benefit of all, and would not specifically enrich business leaders like Colangelo. Furthermore, they specifically rejected the notion that the project would become a homogeneous, mall-like development, actively endorsing a more mixed-use, urban

¹⁴ *Arizona Republic*, “Downtown makeover in works: Colangelo leading drive,” November 27, 2003; John Dougherty, “Operation Mickey Mouse; Could downtown Phoenix get more soulless? Yep! Check out Jerry Colangelo's secret plan,” *Phoenix New Times*, November 20, 2003.

¹⁵ Dougherty, Nov. 20, 2003.

environment and soliciting feedback from downtown stakeholders.¹⁶ Yet it still became apparent that the Phoenix Futures' vision for downtown was fundamentally different from the neobohemian redevelopment template, relying more on top-down implementation than incremental development. Although Colangelo expressed support for diverse urban environments, he expressed concern about "haphazard" development, arguing that under the arts-based initiative development "would be hit and miss... A little deal here, a little deal there. There would be no rhyme or reason."¹⁷ Others, like Esser, emphasized that haphazard development is exactly the point. "It's always top-down, single vision versus a grassroots, organic structure," he said, noting that many community members specifically "want a spontaneously generated, diverse economy and culture."¹⁸

In an attempt to reconcile these different perspectives on redevelopment, the City convened a series of public meetings in early 2004 to solicit feedback from a range of stakeholders.¹⁹ It quickly became apparent that arts community and other community members were strongly opposed to the Phoenix Futures plan, voicing their displeasure through the public meetings and other channels. This opposition became a watershed moment: unlike in past, events-based redevelopment efforts, where the City privileged business leaders over small entrepreneurs, Mayor Gordon and other city leaders ultimately chose the new "meds and eds" development model, siding with ASU officials

¹⁶ *Arizona Republic*, Nov. 27, 2003; Carol Sowers, "Diverse, energized downtown sought: Mayor promises all voices heard," *Arizona Republic*, February 13, 2004; John Stearns, "Great downtown taking shape," *Arizona Republic*, April 28, 2004.

¹⁷ Dougherty, Nov. 20, 2003.

¹⁸ *Ibid.*

¹⁹ Stearns, Feb. 11, 2004; Sowers, Feb. 13, 2004; Stearns, Apr. 28, 2004.

and arts community members, and politically relegating the Phoenix Futures group.²⁰ In addition, the proposed football stadium had been similarly defeated by concerned local property owners. For the first time, the emergent downtown community had scored a quick succession of political victories and had established the neobohebian template as an officially recognized redevelopment model (Ross 2011). This victory was due in large part to a newfound political coalition, the Downtown Voices Coalition, formed in April 2004 by a number of preexisting advocacy groups focused on a variety of downtown issues. Spearheaded by the Downtown Phoenix Arts Coalition (D-PAC) and joined by the Local Initiatives Support Corporation (LISC), Arizona Chain Reaction (now Local First Arizona), Phoenix Historic Neighborhoods Coalition, and Community Housing Partnership, the Downtown Voices Coalition codified their redevelopment prescriptions in a report issued following an inclusive, formative community meeting in May 2004 (DVC 2011). The report called for a variety of redevelopment initiatives in line with sustainable urban development philosophy, including: specific new urbanist design guidelines emphasizing pedestrian-oriented mixed-use development; bioregion-specific design oriented around mitigating the desert heat and augmenting Phoenix's cultural heritage; explicit municipal and regulatory support for small business entrepreneurs; tax and affordable housing policies to prevent gentrification, land speculation, and residential displacement of lower income residents while promoting historic preservation, adaptive reuse, and cultural diversity; and development policies that view arts-based cultural production as the centerpiece of economic policy (DVC 2004). The report specifically calls for more "transparent" coordination between city officials and the local community

²⁰ Jon Talton, "Fixing downtown potholes...interest piqued," *Arizona Republic*, May 4, 2004; Richard Stanley interview, September 12, 2012; Duke Reiter interview, October 1, 2012.

when formulating regulatory and incentive structures influencing development (DVC 2004) – a clear call for a more inclusive, tangible relationship between the place-based community and the public officials closely engaged in the political economy of downtown. These prescriptions were largely ratified again, with some modifications, when Downtown Voices conducted a follow-up meeting six years later (DVC 2011).

Since the watershed events of early 2004, City policymakers have instituted a series of policy reforms aimed at buttressing this new model of downtown redevelopment and satisfying arts community advocates. In July 2004, policymakers worked with D-PAC to develop and present to the Central City Planning Subcommittee a series of strategies aimed at supporting arts-based entrepreneurship, including a small business assistance program, a loan program for renovating downtown businesses into art galleries, and other initiatives.²¹ Yet over the next years, it became clear that there were larger regulatory issues hampering arts-related businesses. Small business owners complained about lengthy permitting times, regulatory requirements more suited to suburban locations (such as onerous parking requirements), inconsistent application of building codes, and issues surrounding communication with municipal agencies.²² In response the City Council approved an Arts, Culture and Small Business Overlay District in downtown Phoenix in 2008 aimed at allowing more flexible, arts-based redevelopment. The overlay district specifically allows residential-to-commercial conversions, relaxes suburban-style zoning regulations, and allows a wide variety of uses

²¹ Ginger D. Richardson, "Phoenix unveils plans to boost the arts downtown," *Arizona Republic*, July 30, 2004.

²² Yvette Armendariz, "Starting small business downtown trying," *Arizona Republic*, September 24, 2006.

including art galleries, restaurants, arts-based educational space, and outdoor cultural events.²³

Interviews conducted with insiders and experts on Phoenix's development industry confirm that the City has been proactive in pursuing regulatory reforms spurring neobohemian, urbanist development. Although there are still issues surrounding consistency and business-friendly flexibility in regulatory enforcement surrounding the overlay district, and although a recent zoning plan enacted in downtown has superseded and complicated these regulations, a number of artists agree that these planning reforms have helped support cultural economic development.²⁴ Such regulatory reforms directed at downtown Phoenix were recently expanded as well, and the City now minimizes "red tape" with same-day permitting, plan self-certification for design professionals, and quick building inspections.²⁵

Although some arts community leaders recognize that the City has been quite progressive in reforming adaptive reuse regulations²⁶, there are still significant financial hurdles standing in the way of such redevelopment. A number of interview respondents noted that adaptive reuse continues to be more expensive, on average, than new construction, and often adaptive reuse projects are only successful when property owners have an ideological commitment to reuse and/or when federal tax credits can be utilized.²⁷ Yet many noted that such spaces are absolutely crucial to supporting arts-based

²³ Lyle Plocher, "City council approves Arts, Culture & Small Business Overlay," *Downtown Phoenix Journal*, April 2, 2008; City of Phoenix Zoning Ordinance, Chapter 6, 669: Arts, Culture and Small Business Overlay (ACOD) District. <http://www.codepublishing.com/az/phoenix/> (accessed April 26, 2013).

²⁴ Moore, interview; Greg Esser interview, August 27, 2012.

²⁵ Jeremy Legg interview, October 5, 2012.

²⁶ Esser, interview.

²⁷ Kurt Schneider interview, September 11, 2012; Abromovitz, interview.

economic development, partly because the cost of new retail spaces is invariably too high for artists to afford²⁸ – an argument first popularized by Jacobs (1961). Thus despite the City’s best efforts at streamlining the adaptive reuse process, there seems to be an ongoing need for local developers and property owners who are personally committed to supporting arts-based development and engaged with artistic tenants.

In December 2004, the City moved to codify the new direction of downtown redevelopment by adopting a plan entitled, “Downtown Phoenix: A Strategic Vision and Blueprint for the Future.” The plan promotes adherence to the neobohemian template for economic development – by combining arts-based initiatives, the proposed educational campuses, the light rail system, and new urbanist planning reforms (City of Phoenix 2008; City of Phoenix ND). This plan provided an important conceptual foundation for subsequent development initiatives. The Downtown Urban Form Project was started in 2006 to realize the urban form envisioned in the 2004 plan, ultimately leading to the 2008 Downtown Phoenix Plan. Based on three basic principles – “community, connectivity, and integration” – the 2008 plan calls for a classic new urbanist environment, complete with residential and mixed use components, which is anchored by the “knowledge anchors” of ASU Downtown and TGen and by arts-based economic development (City of Phoenix 2008). The plan specifically calls for private investment in the development of vacant land in the district, and argues that smaller residential projects (low to mid-rise developments) would be better suited and more affordable for downtown residents (although this language is contradicted when the plan states that, due to Proposition 207,

²⁸ Steve Weiss interview, August 16, 2012; Grady Gammage Jr. interview, September 17, 2012.

downzoning from high-rise zoning entitlements is specifically prohibited; see later section on Proposition 207).

The 2008 plan, in turn, paved the way for the 2010 adoption of the Downtown Phoenix Form-Based Code (DPC), a progressive zoning ordinance intended “to create a pedestrian-oriented, dynamic urban center with an authentic sense of place” (City of Phoenix 2010). Like other form-based codes advocated by the new urbanist movement, the DPC explicitly allows mixed-use development, urban-oriented design features (such as maximum, not minimum building setbacks), flexible building uses, and development standards encouraging density; the code, however, also includes a host of aesthetic design standards that decrease development flexibility as well. Regulatory specifications are based on the delineation of “character districts” – similar but different from those specified in the 1991 downtown plan – intended to generate distinct neighborhood identities and land use mixtures (Figure 5). The code also includes a system of “sustainability bonuses” where provision of “environmentally friendly design” like vertical mixed use, renewable energy production, or green building features are rewarded by additional regulatory flexibility related to density and parking (City of Phoenix 2010). Although few projects have yet been built under these new zoning standards, many policymakers and business leaders interviewed felt that the DPC was a very positive addition that would spur quality urban development in line with sustainable development goals.²⁹

Recent initiatives supported by public and private downtown stakeholders signal that the City’s commitment to sustainable urban development – in terms of urban form

²⁹ Schneider, interview; Lazarus, interview; Legg, interview; Eric Brown interview, August 24, 2012.

and use – remains strong. The Sunburst traffic plan, still city policy despite the movement towards new urbanist reforms over the past ten years, has been increasingly questioned by downtown advocates. A revision to the policy that prioritizes pedestrian movement and economic opportunities for businesses will be presented soon to the City Council for approval (City of Phoenix City Council 2012). A larger movement advocating temporary use of vacant properties has also been gaining momentum, due to widespread support from the City, ASU activists, community leaders, and non-profit groups. Beginning with the “Valley of the Sunflowers” project, which secured permission to conduct urban agriculture on a vacant city lot slated for future development and successfully grew a sunflower crop,³⁰ the temporary infill movement has expanded to include a “pop-up” park in the Roosevelt Row district and urban agriculture on a large lot owned by Baron Colliers in uptown Phoenix. Community activists emphasize that these projects represent a tremendous step forward in the city’s sustainability policy and hold promise for community building,³¹ while policymakers point to the possible economic dividends from such initiatives, as they may improve property values and serve as a catalyst to speed up the development cycle.³²

Private Infill Development Market

Despite a longstanding orientation towards building master-planned, automobile dependent suburban communities on Phoenix’s urban fringe, private residential developers have increasingly considered infill development opportunities over the past 15

³⁰ Personal communication with Braden Kay, July 2012.

³¹ Jim McPherson interview, August 9, 2012; Stacey Champion interview, August 10, 2012.

³² Colin Tetreault interview, September 24, 2012.

years. Especially in the wake of the 2008 recession and collapse of the suburban housing market, and perhaps influenced somewhat by the institutional momentum towards the neobohebian development model, the development industry increasingly sees mixed-use infill development as the next market trend in the Phoenix metropolitan area.³³ One interview participant argued that the development industry began to seriously consider modern residential infill projects after the success of the Esplanade Place condominiums, a high-rise project built in the East Camelback corridor in the early 2000s.³⁴ The Esplanade project was quickly followed by two more high-rise condo projects nearby, and when all three were financially successful, developers began to envision new high-rise projects all over the city, especially in the downtown and midtown cores. Realizing the tremendous potential for infill development in central Phoenix given the availability of large vacant parcels close to developed infrastructure and urban services,³⁵ developers have increasingly focused on infill, often utilizing “24/7 urbanism” imagery in marketing schemes.

Yet the development industry’s predominant focus on suburban development has left a dearth of local firms with the experience and expertise necessary to build successful high-rise residential projects. In one infamous example, developers of the Centerpoint condominiums in downtown Tempe, who did not have previous infill development experience, forgot to include garbage chutes in the building design, forcing tenants to haul garbage in the elevators.³⁶ Not only are there relatively few firms focused on executing infill development business models, but traditional capital lenders are also

³³ Steven Betts interview, October 19, 2012; Jim Howard interview, September 21, 2012.

³⁴ Ben Patton interview, September 27, 2012.

³⁵ Betts, interview.

³⁶ Don Keuth interview, November 29, 2012.

unfamiliar with infill projects and often much more hesitant to invest in infill than in the standard suburban development template.³⁷ Both developers and lenders tend to have a herd mentality, and look for successful projects to emulate before exploring a new business model.³⁸ As a result, there has been a significant disconnect between general market interest in infill development and actual execution of projects. This disconnect has been manifest in the large number of speculative real estate sales associated with high-rise infill projects (see Chapter 6 for a detailed examination of land speculation), as many would-be developers choose to flip land entitled for high density rather than engage in the complicated development process. Land speculation tends to raise land costs rapidly, often quickly elevating above the price thresholds for profitable development. Another outcome is the rise of unrealistic market expectations surrounding high-rise projects. In the spike of infill development interest following the Camelback corridor condo projects, about 10,000 to 12,000 condominium units were proposed along the Central Avenue corridor into downtown,³⁹ one zoning attorney personally participated in about 60 high-rise zoning entitlement changes in the period, describing interest in high-rise entitlements as a “gold rush”.⁴⁰ Although many local market insiders strongly believed market demand did not exist for even a fraction of the proposed projects,⁴¹ a variety of local and non-local developers pushed to either develop high-rises or sell their entitled properties to other developers in the mid-2000s.⁴² Due to the lack of infill development expertise, land

³⁷ Feliciano Vera interview, September 26, 2012.

³⁸ Ibid.; Eric Brown interview, August 24, 2012.

³⁹ Keuth, interview.

⁴⁰ Patton, interview.

⁴¹ Ibid.; Keith Earnest interview, November 13, 2012; Keuth, interview; Dan Klocke interview, October 2, 2012.

⁴² Keuth, interview; Patton, interview.

speculation, and unrealistic market expectations (often stemming from speculation-driven land price appreciation), very few high-rise infill projects were actually built.

Ultimately the failure of the vast majority of proposed high-rise infill projects over the past 15 years is largely related to the incongruence between the fundamental costs of the development process, the inflated value of land, and naïve market expectations.⁴³ Despite the best intentions of planners, policymakers, and citizens promoting ideal infill projects, infill is always subject to an array of market conditions that dictate the possibilities for profitable development. The cost of land tends to represent 15% of total infill development costs on average nationwide,⁴⁴ and when this price becomes skewed by land speculation it can stymie all good intentioned efforts to develop for years or even decades (see Chapter 6). The need to assemble land parcels into tracts large enough for economies of scale in development is an oft-cited problem, both in contemporary development and in many past “development cycles” (City of Phoenix 1969b; 1979a; 1995; 2002a). Since the entirety of downtown Phoenix was originally platted into small, 7,000 square foot lots intended for small commercial and residential buildings, it can be very difficult for developers to reach their desired development scale.⁴⁵ The relationship between entitled density, engineering standards, building codes, and the cost of construction materials also represents a critical balance that can be tipped when land costs or entitlements are incongruent. If the desired density requires a building over four or five stories, for example, wood-based construction must be replaced by

⁴³ Patton, interview.

⁴⁴ Teresa Brice interview, September 21, 2012.

⁴⁵ Schneider, interview; Gammage Jr., interview.

concrete and steel construction, raising costs significantly.⁴⁶ Another cost-based tipping point exists between mid-rise and high-rise construction, since building codes mandate provision of an array of expensive safety features when buildings are over six stories; one ASU planner noted that most downtown campus buildings are just eight inches below high-rise height due to these restrictions.⁴⁷ As a result, many infill buildings group together at a few specific height levels where there is a balance between building regulations, entitlements, density and construction costs. Economies of scale also operate when attracting financing for infill projects, with most lenders requiring that 50-70% of proposed units are sold before financing project construction; this means that high-rise projects, with more units to sell, can take much longer to construct and can cost more due to higher debt servicing and tax payments in the interim sales period.⁴⁸ The combination of these factors often makes high-rise infill development in the Phoenix market prohibitively expensive either for developers or buyers.

Despite the widespread interest in high-rise projects from both local and non-local firms, there is widespread agreement among local participants in the development market that the true market demand for infill in downtown and central Phoenix lies in three to five story, mixed-use projects.⁴⁹ Even a city report on downtown development endorses this scale of development due to the prohibitive costs of and weak market demand for high-rise buildings (City of Phoenix 2008). Yet many development industry insiders indicated that the combination of the infill development issues cited above – especially

⁴⁶ Silvia Urrutia interview, August 20, 2012; Lazarus, interview.

⁴⁷ Stanley, interview.

⁴⁸ Vera, interview; Nick Wood interview, November 12, 2012.

⁴⁹ Patton, interview; Klocke, interview; Abromovitz, interview; Gammage Jr., interview; James Onken interview, November 1, 2012.

problems with land assembly, land costs and entitlements – had prevented them from embarking on new projects even in the three to five story range. Some felt that they needed to develop a “critical mass” of units at one time, either on one site or on a number of small, proximate sites, in order to make development worthwhile from their perspective.⁵⁰ Developer and local property manager Kurt Schneider explained, “if you’re doing a little project, let’s say you’re doing a 10-plex, it’s as much work as doing a big project. You still have to draw plans, you’ve got to do engineering, you’ve got to do structure, you’ve got to do civil, you have to make out location, you have to get a permit, you have to hunt down your sub [contractors]. You’re doing all the same stuff as a bigger project, but there’s no volume to it.”⁵¹ Developer Eric Brown, who has successfully built a number of mixed-use projects in the downtown core, noted that he owns a tiny but well-located property at Roosevelt and 5th Street, and already has a mixed-use design in hand. Yet he plans to wait on developing it until he can find numerous other sites to develop nearby and can reach a critical mass of about 40-50 units, at which point he can profitably hire a management company to direct all of the projects at once. “I could build it, and it could make some money. But it’s not going to make enough money for just that few number of units to make it worthwhile. You either need to build a home, or four units, and sell them and be done with it, make some money and go on...but to invest all that money, for a little bit of money, money that you could make consulting over 3 or 4 months, why are you going to do it? It’s just – it’s very hard to make those things work.”⁵²

⁵⁰ Brown, interview; Schneider, interview; Gammage Jr., interview; Onken, interview.

⁵¹ Schneider, interview.

⁵² Brown, interview.

Thus the main issue with infill development on small parcels is not that profit cannot be made, but that a certain scale of profit is needed to entice development. Lanning noted that developers could clearly make money developing properties around the district, but that “it’s a matter of how much profit they want to make.”⁵³ From the viewpoint of basic economics, this problem should be easily solved by increasing market competition: as more developers compete to develop infill projects, they will naturally accept lower and lower profit margins, with higher amounts of work involved, in order to succeed. Yet in practice, it appears that the current lack of infill development expertise combined with a dearth of lending capital for infill projects has amounted to a form of market failure. Developers can hold out for desired profit levels simply due to a virtual monopoly on the conditions for the production of urban space. This dynamic may have shifted somewhat due to the recession – for example, one developer noted that during the boom years, his business group used to ignore development proposals that did not exceed a 15% return on investment, but that recently he is considering projects closer to an 8% return.⁵⁴ Others are more convinced of the viability of smaller projects, even at the scale of a single family lot.⁵⁵ Yet even if competition increases in the future, as the infill market becomes a more proven commodity to investors and as more firms gain infill expertise, it appears that issues of scale will continue to be major impediments to infill development for the foreseeable future.

The headaches and complications that discourage infill development are perhaps magnified when viewing the success of another, competing land use: for profit parking

⁵³ Lanning, interview.

⁵⁴ Onken, interview.

⁵⁵ Vera, interview.

operations. Numerous interview participants noted the ease with which many land owners can earn a solid income simply from managing a parking lot on developable land.⁵⁶ The most notorious example of this is a parking lot at Central Avenue and Fillmore Street owned by the Reznik family; respondents noted that the owners illegally demolished older buildings on the site to open a for profit parking lot across from the new ASU campus, and they did not face legal action because the City was engaged in similar behavior at the time.⁵⁷ “The most financially successful piece of real estate in downtown, in my neighborhood, you know what it is? It’s the [Reznik] parking lot...No TIs, no commissions, no construction loan – it’s just cash, everyday...I look at that, and I go, all the brain damage I go through to renovate a building, to turn it into [successful adaptive reuse]? Make it a parking lot, baby. It will sit there forever.”⁵⁸ In other cases, lots remain unimproved because of billboard placement, another simple source of steady income that does not require complicated development work.⁵⁹ Some noted that parking lots and billboard lots are successful for a reason, and that if market demand makes such land use successful, it should be accepted. Yet an argument can be made that surface parking lots are not the “highest and best use” of land in the core of downtown Phoenix – especially lots zoned for high-rise development.⁶⁰

Due to the aforementioned difficulties with successfully implementing infill projects, many developers rely on federal subsidies – distributed through the New Markets Tax Credit program – to make projects work. One executive at a nonprofit

⁵⁶ Michael Levine interview, September 11, 2012; Schneider, interview.

⁵⁷ JoMarie McDonald interview, October 2, 2012; Klocke, interview.

⁵⁸ Schneider, interview.

⁵⁹ Levine, interview; Lanning, interview.

⁶⁰ McDonald, interview.

housing finance organization noted that the majority of new residential projects constructed in downtown Phoenix over the past ten years utilized New Markets tax credits, which are specifically oriented to provide housing tailored to residents earning 60% of the area median income.⁶¹ Numerous developers and zoning attorneys reported utilizing New Markets credits to successfully implement projects as well,⁶² while other affordable housing developers have utilized City financing programs (Ross 2011). Ultimately, it appears that there are very few cases of successful infill development projects in downtown Phoenix that did not take advantage of taxpayer subsidies at some level – especially when considering the importance of site-specific economic development efforts coordinated by City policymakers, as reviewed in the following section.

Site-specific Government Infill Development Initiatives

The Central Phoenix Plan and Comprehensive Plan 1990, both published in the early 1970s, represented the City’s first attempts to spur redevelopment of the downtown Phoenix core (City of Phoenix 1969b; 1971). Yet these planning documents were simply meant as a rough guide to development and did not authorize site-specific government efforts to attract development. In 1974, the federal government created the Community Development Block Grant (CDBG) program to subsidize urban redevelopment in “blighted” areas across the country, and in 1978 the program was revised to require that cities establish specific geographical zones for targeted federal grants (City of Phoenix 2002a). In response, the City of Phoenix created a Target Area Program that established a

⁶¹ Brice, interview.

⁶² Howard, interview; Vera, interview; Lazarus, interview; Onken, interview.

redevelopment area in downtown Phoenix governed by Arizona state law (City of Phoenix 2002a; State of Arizona ND-b). The core of this effort was established in the Downtown Area Redevelopment and Improvement Plan, a piece of legislation approved by the City Council in 1979 that specifically allows the City of Phoenix to conduct a variety of redevelopment efforts (City of Phoenix 1979a). Arguing that downtown Phoenix was threatened by “blight” and “obsolescence,” the Plan specifically endorses “the need for vigorous, coordinated public-private action to secure this area as the business, governmental, institutional, and cultural heart of the region and as a focus of community pride and achievement” (City of Phoenix 1979a, iv).

The downtown improvement plan established geographical boundaries for the redevelopment area and specified a range of expanded municipal powers to improve the area, all in conjunction with ARS 36-1471 (State of Arizona ND-b). Plan objectives reflected the automobile-first mentality of the era, specifically focusing on “safe, efficient, and attractive vehicular access to downtown Phoenix” and, once visitors had arrived, providing a range of parking options (long-term, short-term, employee, and “errand”) while strictly separating vehicular and pedestrian traffic (City of Phoenix 1979a, 5; see Figure 3). Although the plan proposes a “fine-grained” and “human-scale” pedestrian network, it does not promote mixed-use environments, directly calling for functional separation of land uses. The major goals of the plan are to attract private investment and preserve property values, and as such it enables the City to take a range of “special economic development actions:” acquiring, holding, or improving land and buildings; selling, leasing, exchanging, or subdividing land and buildings, including entering into contracts with developers and instituting covenants; requesting and/or

actively soliciting development proposals; providing technical assistance to property owners; and generating economic development funding through bonds, loans, grants, public-private partnerships, tax abatements, and special assessments (City of Phoenix 1979a, 15).

The downtown improvement plan neatly coincided with the birth of the Urban Village Plan, and both plans suggested targeting core urban areas for infill development density (City of Phoenix 1979a; 1979b). By 1985 the urban village ideal had become codified in the Phoenix General Plan and the downtown improvement area coexisted with the new Central City village plan (City of Phoenix 1983a; 1985). The following year, the City created the Community Economic Development Department “to coordinate revitalization efforts in downtown and several other redevelopment areas” (City of Phoenix 2002a, 257). “Growing Smarter” state legislation passed in 1998, and revised in 2000, helped to further promote a focus on infill development by requiring Arizona cities and counties to establish specific redevelopment plans with targeted geographical areas (Leigh 2003). This focus became codified in the 2002 General Plan Update, although no new authority was granted in the legislation or general plan (City of Phoenix 2002a; MAG 2003a). The General Plan Update points out that infill development has been stymied by policy-driven factors, such as a general municipal failure to force suburban fringe developers to pay their “fair share of capital growth costs through taxes and impact fees” (City of Phoenix 2002a, 160). It also cites a range of market-based impediments to infill, such as “high land costs, potential environmental contamination, costs to relocate utilities, surrounding blight, difficulties in assembling parcels, crime and perceptions of crime, and/or concerns about the school systems” (City of Phoenix 2002a, 75). To

remedy the situation, the plan again proposes geographically specific programs and directly suggests implementation of a larger infill development incentive district covering a swath of central Phoenix (Figure 6). If a district is created, municipalities are allowed to spur development by instituting “expedited zoning or rezoning procedures; expedited processing of plans and proposals; waivers of municipal fees for development activities; and relief from development standards” (City of Phoenix 2002a, 39; MAG 2003a).

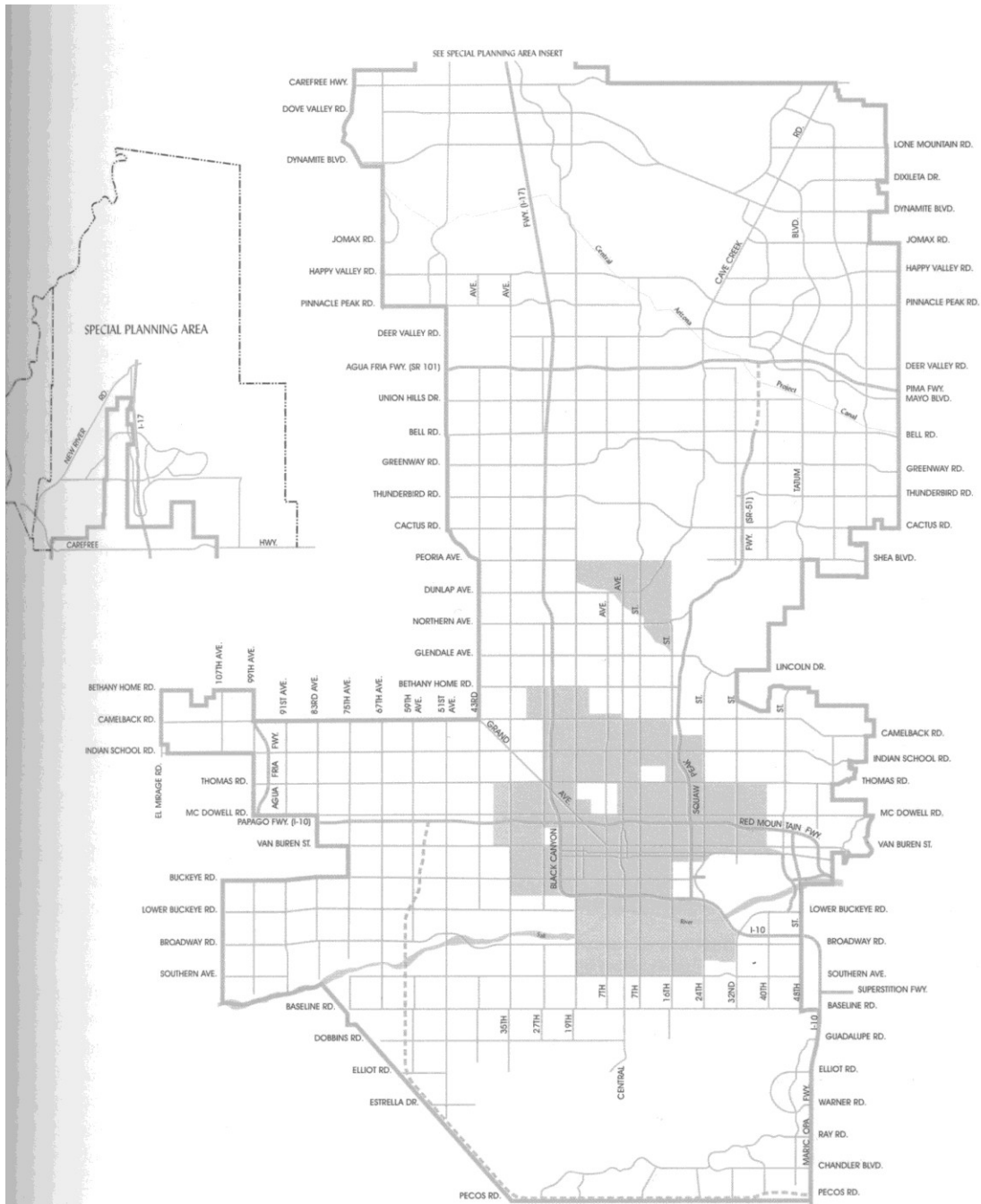


FIGURE 28
PROPOSED INFILL DEVELOPMENT
INCENTIVE DISTRICTS



Figure 6. Infill development incentive districts proposed in the 2002 General Plan Update (City of Phoenix 2002a, p.76).

Yet despite the abundance of planning documents specifying the ideal types and locations for infill development, actual municipal efforts to attract development have often operated independently, ignoring the intentions of planners to some extent. The most obvious example of this trend occurred in 1981, when the City approved the rezoning application for a mid-rise office complex in the East Camelback corridor for the ANROC National Life Insurance Company. The application was approved despite the City's official adoption of the Central Phoenix Plan and Phoenix Concept Plan 2000, both of which explicitly limited mid-rise and high-rise construction to the Central Avenue corridor (City of Phoenix 1983b). An "issue paper" published by the city's Planning Department shortly after the rezoning decision noted that previous planners had warned against scattering high-rise zoning across the city in an ad hoc fashion because it would set a plan-breaking precedent, and would encourage higher vacancy rates and less investment in downtown while "encouraging land speculation, artificial inflation of property values and thus overzoning" (City of Phoenix 1983b, 4). This issue paper perhaps indicates, for the first time, a growing disconnect between the planning department's idealistic, often sustainability-oriented infill development specifications and the larger politics surrounding the city's attempts to woo site-specific development.

City policymakers have still aggressively pursued site-specific downtown redevelopment for decades under the auspices of the 1979 downtown plan, however, regardless of development initiatives in other districts. The main thrust of this effort has centered on the Government Property Lease Excise Tax (GPLET) program inspired by target area redevelopment programs and enabled by Arizona state law (State of Arizona 1996). After the 1979 plan, the City explored various economic development techniques

and discovered that offering property tax exemptions to developers was often most successful. To accomplish this, the City would accept the title to a privately-owned redevelopment property and lease it back to the private owner at a nominal rate. Since the City was now the title holder, all property taxes were nullified. When other cities began to utilize this technique, the State legislature became concerned about the long-term viability of such incentives, and in 1985 passed a “possessory interest tax” that required assessed property taxes on any privately held improvements on municipal property (ATRA 2009). This tax discouraged cities from using tax exemptions in development initiatives until 1993, when a court decision found the exemptions to be unconstitutional (ATRA 2009). To clear up confusion resulting from this decision, the State legislature passed a comprehensive GPLET law in 1996 in which a watered down excise tax was substituted for the possessory interest tax. Although the law allowed for an initial eight year tax abatement window, an excise tax was mandated after that and “the Legislature thought it would continue to act as a check on the cities use of their tax exempt status for private development” (ATRA 2009, 6). Yet by the mid-2000s it had become clear that the excise taxes in practice did not come close to replacing lost property tax revenue – especially in downtown Phoenix GPLET agreements – and Governor Napolitano created a commission to study possible revisions to the law to “more closely accomplish the legislature’s stated purpose of making whole the taxing jurisdictions that depended on revenues under the prior possessory interest tax” (ATRA 2009, 6).

After years of contentious negotiations between Arizona municipalities and business interests – and after an obstructionist move by the City of Mesa to delay reform until after a GPLET could be offered for a large resort development – the legislature

approved a GPLET reform bill in 2010 (ATRA 2010; Flatten 2010). The new law preserves the eight year tax abatement window and grandfathers in all previous GPLET agreements, but defines a new, more punitive excise tax structure (essentially doubling most rates), limits agreements to 25 years, and mandates that cities pick strict geographical boundaries for their GPLET offerings representing 5% or less of their total land area (ATRA 2010; State of Arizona ND-b; ND-c). The new rate structure relies on a complicated formula based on the type of development, with rates escalating yearly after the abatement window (State of Arizona ND-c). The law is also heavily dependent upon assessment of the exchange value of properties, as determined by economic analyses. It explicitly requires that “the economic and fiscal benefit” to municipalities “will exceed the benefits received by the prime lessee” based on an independent third party economic impact study, and that ultimately “the government property improvement resulted or will result in an increase in property value of at least one hundred per cent” (State of Arizona ND-c). One of the most drastic changes in the 2010 revision centers on the sharing of property tax revenue, which under Arizona law is funneled to local school districts and other special districts based on local assessments and specified minimum standards. Before the law’s passage, the state compensated local school districts for any lost tax revenue due to GPLETs, but the law ended that practice, meaning that local property owners would now have to cover the difference in tax revenues when local properties were granted a GPLET exemption (Flatten 2010).

The GPLET program has proven to be enormously contentious among policymakers, business leaders, and local property owners – especially since virtually all high-rise or large commercial development in downtown over the past 20 years has been

built with GPLET incentives (Flatten 2010) (see Figure 7 for map of current GPLET properties). “To its supporters, GPLET is a critical economic development tool, the last incentive available to lure high-end development to the state. To its detractors, the law is an unfair giveaway to a few hand-picked developers who would have come to Arizona anyway, or who are bringing risky projects that could not succeed on their own” (Flatten 2010, 2). Supporters argue that tax incentive structures like the GPLET program are absolutely essential to attracting private investment in downtown Phoenix and other urban cores, especially given the preexisting market bias towards suburban greenfield development on the urban fringe. Such advocates make the simple argument that redevelopment simply would not happen without GPLET incentives (Flatten 2010). GPLETs are especially important because most of Arizona does not allow tax increment financing, a redevelopment initiative commonly used across the country that allows municipalities to borrow money for improvements based on the expected future increase in property values and tax revenues from the improvements. Thus to some observers, GPLETs are the local response to TIFs and function in a similar way, at least in terms of development outcomes.⁶³ One city policymaker described the GPLET program as an effective way to make public investments that, after the eight year tax abatement window closes, will generate extremely high returns for the community at large. Using the example of a recent GPLET awarded to a mid-rise development along Roosevelt Row, he argued that existing property taxes on the vacant lot are about \$10,000 per year, but that when completed the development will generate about \$400,000 per year. Thus the city will lose \$80,000 over the eight year abatement period, but will instantly recoup the

⁶³ Lazarus, interview; Howard, interview.

money and expand tax revenues sharply in the ninth year – essentially an investment with a 300% return.⁶⁴ Ultimately, GPLETs are seen as critical development tools because the City is prioritizing “sustainable density and development” and dense, mixed-use development is simply too expensive in current market conditions.⁶⁵

⁶⁴ Legg, interview.

⁶⁵ Ibid.



Figure 7. Properties owned by the City of Phoenix and leased to private entities under the GPLET incentive program in 2013. Lighter grey shading identifies GPLET properties that have reverted to full taxpaying or contribute other benefits to the City under special arrangements.⁶⁶

⁶⁶ Klocke, interview; Klocke, personal communication, August 30, 2013; State of Arizona, Department of Revenue website, <http://www.azdor.gov/PropertyTax/GPLET.aspx?CountyID=7&CityID=203> (accessed August 27, 2013)

Yet a growing group of detractors – including policy groups generally opposed to tax incentives as well as individual property owners hurt by rising tax assessments – present a variety of arguments against GPLET-based development. The biggest complaint centers on the fact that property tax burdens – which must maintain a specific level due to school district funding – are shifted onto local property owners who do not receive GPLET incentives. Since tax revenue is distributed on a district-specific basis, local property owners in the immediate area must compensate for all lost revenue despite the fact that the GPLET improvements may benefit city residents as a whole (Flatten 2010). One 2008 study estimated that downtown Phoenix properties currently receiving GPLET incentives are valued at \$1.2 billion, and would be generating \$17.1 million in annual property taxes; the excise tax replacement, however, only generates \$2.4 million. As a result, the owner of a \$200,000 home in the district would have to pay between \$90 and \$183 more in annual property taxes (Flatten 2010). Many interview respondents railed against the fundamental inequity of the situation,⁶⁷ including Kurt Schneider, who is attempting to organize local property owners to politically contest the GPLET program. “To me, it’s a form a reverse condemnation. They are raising my taxes to subsidize new development...I want the city of Phoenix to be great and everything, but if you own an existing building, and you’re in this situation, every time your taxes go up your [property values] are going down...[due to losses in] net operating income.”⁶⁸ Schneider argued that especially for local property owners who lease space to tenants – in particular, arts-based entrepreneurs renting adapted buildings who are highly sensitive to

⁶⁷ Jim McPherson interview, August 9, 2012; Schneider, interview; Levine, interview; Brice, interview; McDonald, interview.

⁶⁸ Schneider, interview.

rental costs – rising taxes are necessarily passed on to tenants, resulting in more vacancies and rental income losses just as taxes continue to rise. Another adaptive reuse property owner framed the situation more in terms of equity. “The city has intimated to me that I could get a GPLET. I don’t want a GPLET. I want all those multi-millionaires to pay their fair share.”⁶⁹ Even one public-private organization employee, who was initially a big supporter of the GPLET program, argued that limits should be placed on utilizing the tool. While GPLETs were initially successful in attracting large high-rise office towers to the district, they are now negatively impacting smaller property owners just as small, arts-based, generative projects are becoming an important part of downtown economic development.⁷⁰

Another argument against GPLET-based redevelopment emphasizes the effects of tax incentives on the dynamics of free market development in downtown Phoenix. Despite the existence of a significant office vacancy rate in downtown, producing a relatively glutted office market, GPLETs have encouraged the construction of new office towers (Flatten 2010). Many believe that the free market should dictate this type of construction to minimize the overproduction of office space at taxpayers’ expense.⁷¹ To some observers, the construction of new offices in downtown Phoenix has not functioned to attract businesses from outside the metropolitan area, or even from outside the district, but has instead encouraged zero-sum competition for office tenants.⁷² This competition is especially problematic for some market participants because GPLET developers can pass along tax incentive savings to prospective tenants while simultaneously offering a newer

⁶⁹ Levine, interview.

⁷⁰ McDonald, interview.

⁷¹ Brown, interview; Schneider, interview; McDonald, interview.

⁷² Schneider, interview; McDonald, interview; Wood, interview.

product, disadvantaging non-GPLET properties in the process.⁷³ While real estate competition is a natural feature of capitalist development markets, using taxpayer subsidies to subsidize certain projects can unfairly privilege some market actors over others,⁷⁴ and when such subsidies become standard for all new projects it can permanently change market dynamics.⁷⁵

Ultimately, the GPLET program has been successful at attracting major new developments in downtown, but it tends to privilege large property owners and developers over small-scale actors, and more recent market entrants over established property owners.

Here's what it does: it increases taxes for smaller business owners and developers like myself, which makes it much more difficult to develop or redevelop properties. Because we're now competing for office space [leases] with the big guys, who can be at a lower basis. So it's very difficult to make that work. And although the market in the last few years has gone down, property taxes actually have gone up...on some properties, they might be up to \$4 or 5 per square foot in property taxes, competing against properties that aren't paying anything...To compete with those guys – when really, we're talking about big institutions versus small developers, it's tough to see how that makes sense.⁷⁶

Especially as Phoenix's economic development efforts increasingly center on the neobohehian template, where small scale entrepreneurialism is viewed as a legitimate path to success, a growing number of people are questioning the continued viability of

⁷³ Brown, interview; Abromovitz, interview; Joyce Wright interview, November 12, 2012.

⁷⁴ McDonald, interview.

⁷⁵ Wright, interview.

⁷⁶ Abromovitz, interview.

the GPLET program. A number of downtown observers note that GPLETs were crucial for attracting early developments in downtown in the 1990s and early 2000s – highly risky investments due to the then-unproven direction of the downtown neighborhood – but argue that a tipping point in institutional momentum towards downtown success may now have been reached, especially after the crucial public commitments towards revitalization secured in early 2004 by ASU and Valley Metro.⁷⁷ “[I understand] the pump priming mechanism of it, because Phoenix needed something. And, to me, it should be...you prime the pump, you make downtown better, and then you need to step back, and take your foot off the gas. And let free enterprise do something. If everybody’s going to get a GPLET, then everybody is going to expect it.”⁷⁸ Yet these coherent arguments for scrapping incentive programs in downtown Phoenix, based on the notion that the district is finally self-generating development, are hard to separate from the fact that virtually all development in downtown Phoenix over the past 30 years has been subsidized by taxpayer money. Considering the public monies used to construct government buildings, stadiums, and event spaces, the importance of federal tax credits for most affordable housing and adaptive reuse projects, and the prevalence of GPLETs in all major high-rise office and retail projects – taxpayer subsidies are indivisible from the current state of downtown. Especially now that these tax incentives are fully ensconced in the property values, leases, and sale prices governing the real estate market in downtown, it is hard to imagine a future in which a truly “free” market begins operating.

⁷⁷ Brice, interview; McDonald, interview; Schneider, interview.

⁷⁸ Schneider, interview.

Assessing Municipal Redevelopment Initiatives: Neoliberal or Sustainability-oriented?

Over the past fifty years, there have been three major types of efforts to promote the revitalization of downtown Phoenix coordinated directly or indirectly by government:

1. *Stadium, event-space, and government building based efforts*, where city, county or state government has either directly subsidized large development projects or worked closely with public-private entities and powerful business leaders.

2. *Site-specific government initiatives to attract private office, commercial and residential projects*, mainly based on city government's use of the state-enabled GPLET program.

3. *"Neobohemian" and "new urbanist" models of generative urban development*, spearheaded by the local arts community but encouraged by active municipal efforts to attract research institutions and streamline arts-based development regulations.

Throughout these efforts, the City of Phoenix has clearly adhered to the entrepreneurial model of municipal government promoted by neoliberal theories of development (Chapter 2). This has been accomplished either by encouraging deregulation and indirectly establishing the foundations for private investment, or by actively operating as an entrepreneurial entity in conjunction with public-private organizations to attract specific businesses or institutions. As predicted in recent literature, municipal entrepreneurialism has been melded to a sustainable development mentality (Clarke and Gaile 1997; Gibbs and Krueger 2007) in a new type of downtown development governance structure in which the former dominance of banks and corporations (e.g., Valley National Bank, etc.) has been replaced by real estate industry coalitions,

educational institutions, and non-profit advocacy groups (Strom 2008). The City’s recent success at deregulating aspects of the infill development process – such as self-permitting, waiving restrictions, and quick building inspections⁷⁹ – were foreshadowed not only by recommendations in the 2002 General Plan Update but also as far back as the 1979 Downtown Area Redevelopment and Improvement Plan. The City has actively engaged in “land-banking” style initiatives to buy and assemble vacant land in downtown, either in conjunction with the development of ASU Downtown and the biomedical campus, or as a general development strategy. These initiatives have often been pursued in conjunction with PCA and DPP to tap into private resources, minimize municipal liability issues, and keep land assemblies from attracting public attention.⁸⁰

For example, the City enlisted the PCA and DPP to assemble land for the proposed football stadium (and when this plan fell through, for the biomedical campus), using their professional ties to a real estate broker with experience in land assembly. This public-private collaboration was successful from the city’s point of view (although many in the arts community felt threatened by displacement; see Ross 2011), especially because the broker was able to “quietly tie up” the land without attracting the attention of land speculators who might benefit from large public real estate investments.⁸¹ This public-private land assembly was similar to the PCA’s efforts 15 years prior to assemble land for the construction of the Arizona Center.⁸² The City also worked extremely closely with ASU officials to assemble land for the ASU Downtown campus, including not only building and land purchases for ASU buildings but also the construction of Civic Space

⁷⁹ Legg, interview; Wood, interview.

⁸⁰ Krietor, interview; Tetreault, interview.

⁸¹ McDonald, interview; Klocke, interview.

⁸² Keuth, interview.

Park and the renovation of the downtown post office.⁸³ Yet the City has also aggressively purchased downtown properties simply to prevent land speculation and to better control the character of infill development. Chronicling the especially large number of City land purchases in 2004 – mostly for campus development, but including many other one-off property purchases around the district motivated largely by preventing land speculation – former Deputy City Manager David Krietor described, “I can’t say that it was really strategic, other than, you know, this kind of compulsion that I saw a couple other people had: that if you don’t control the real estate, you can’t promote the quality and density that you want.”

Thus even when the City focuses on promoting the neobohehian template, it often relies on a neoliberal mentality that combines the active attraction of large institutions and deregulatory actions to encourage small-scale projects. Some community advocates have encouraged the City to actively support community benefits agreements (CBA) in new real estate developments – a community development tool that uses municipal regulatory leverage to require developers to include specific features such as affordable housing, public space, or streetscape improvements. Despite the specific enablement of CBAs in the downtown form-based code, the City has not developed a CBA policy or shown an indication that they have the “frame of mind” for this type of active market intervention.⁸⁴ The City has also at times ignored community requests, as conveyed in public charrettes, to limit development to under four stories, instead pushing for larger buildings that would better augment the tax base.⁸⁵ Even when encouraging the

⁸³ Reiter, interview; Stanley, interview.

⁸⁴ Urrutia, interview; McPherson, interview.

⁸⁵ Lanning, interview.

temporary reuse of vacant land by working with community groups and private landowners to create pop-up parks and urban agriculture, the City has emphasized that its main goal is to utilize public-private partnerships to stimulate new private investment and development.⁸⁶

At the same time, the extremely close involvement of municipal government in virtually all downtown development projects, and continued willingness to listen to a broad range of community interests, suggests that the classic narrative of city-neoliberal collusion may not fully apply here. The City's efforts to purchase and assemble land to stymie land speculation signals the growing need for entrepreneurial governance strategies in a neoliberal political economy – a larger trend uncontrollable by municipal government – but they also indicate a suspicious, adversarial attitude towards private market forces. “In terms of redevelopment of the core part of the metropolitan area, in downtown Phoenix, I think the land speculation was the number one barrier [to economic development]. If you look at where the city was successful in promoting development, in almost all the cases, it was because the city acquired the property and the city facilitated the redevelopment and provided the land and the basis that made economic sense.”⁸⁷

For example, the new urbanist style Roosevelt Square apartment complex – widely hailed as one of the few successful examples of quality infill development – resulted from an involved collaboration between Roosevelt community members and the City's economic development department. The properties on which the complex sits used to be a row of deteriorated buildings and vacant lots which attracted high levels of crime, and the surrounding community enlisted the city to assemble the land and attract an

⁸⁶ Tetreault, interview; Mayor Greg Stanton (speech, Temporary Pop-up Park Event, February 22, 2012).

⁸⁷ Krietor, interview.

appropriate developer. After a drawn out land assembly and developer selection process in which the community vetoed a number of proposed developments, the community and city finally agreed on a developer who would build a mixed use project using storefronts and porches to encourage active street life while burying the necessary parking in the middle of the complex.⁸⁸ The Alta residential complex – the first mid-rise mixed-use residential complex in downtown Phoenix, and perhaps the only successful large residential project built in the years before the economic downturn – represents another example where the city actively directed the character of infill development. Although the city was not involved in developer recruitment, it provided GPLET incentives and in the process was able to mandate a mid-rise, mixed-use project (which the city viewed as more appropriate for the district) instead of the single-use high-rise projects that developers of the (eventually bankrupted) 44 Monroe and Copper Square towers gravitated towards.⁸⁹ The GPLET lease, which cites the 1979 downtown improvement plan as its “purpose,” explicitly specifies the provision of a six to nine story building with 10,000 square feet of street level commercial and live/work space (City of Phoenix 2005).

The City has also actively worked to create affordable housing in the district, both by building city-owned housing facilities with affordability restrictions and by selling city-owned land to a developer based on an agreement providing affordable units under deed restrictions requiring owner occupancy.⁹⁰ Thus while city policymakers continue to encourage private investment and free market forces, they are also actively engaged in

⁸⁸ Urrutia, interview; Krietor, interview; McDonald, interview; Feliciano Vera (speech, Phoenix Urban Research Lab, Urban Design Week event, April 13, 2012).

⁸⁹ Krietor, interview.

⁹⁰ Esser, interview; McDonald, interview.

shaping the character of the market. Developer Steve Betts observes that the City has indeed driven the nature of private development in downtown, to some extent, noting that the City has “walked a fine line” between supporting and perverting the free market. While many cities in California, for example, tend to micro-manage the development process to the point where costs and development times rise dramatically, the City has been effective at minimizing their influence while also ensuring quality development compatible with specific neighborhoods and sustainability goals.⁹¹ As a result, the City’s development influence may fall somewhere in between the model type neoliberal municipal agent wedded to free market competition and the sustainable development change agent leveraging government authority for the benefit of community members and the environment.

Downtown Infill Development Outcomes and the Limits to Government Initiative

Perhaps the most transparent way to measure the success of government-led urban infill development efforts over the past few decades is to assess land use change. Table 1 displays the percentage of land parcels in the downtown study area that have remained vacant or surface parking from 1978 to 2012, based on GIS spatial analysis. The table indicates that infill development efforts have indeed been somewhat successful district-wide, as vacant land has diminished from about 22% of land area in 1978 to about 9% in 2012. The amount of surface parking has also diminished in this time frame, but at a slower pace. Yet an in-depth look at one neighborhood within the downtown district, Evans-Churchill – the site of many arts-based redevelopment initiatives and resistance

⁹¹ Betts, interview.

against heavy-handed public-private redevelopment attempts – shows a less discernible decline in vacant and surface parking land use. The difference between Evans-Churchill and the remainder of downtown probably indicates the concurrence of declining housing stock, aggressive attempts to assemble land for redevelopment (often leading to the willful destruction of historic housing stock), and actual infill development. One community leader noted that dozens of historic buildings in the neighborhood have been razed or burned over the past few decades,⁹² perhaps due to attempts to lower property taxes or to assemble land for speculative or development purposes.

⁹² Esser, interview.

Table 1. Vacant land in downtown Phoenix, 1978-2012

	1978 ^a	Sep. 1992	Apr. 1997	May. 2002	Jul. 2005	May. 2007	Nov. 2009	Jun. 2012
Vacant ^b	21.9%	16.2%	14.5%	12.2%	9.8%	8.0%	8.1%	8.8%
Vacant/Surface Park.	na	33.0%	31.8%	27.8%	26.7%	25.1%	24.9%	24.7%
Vacant (Evans-Churchill only ^c)	23.6%	31.5%	27.8%	28.0%	25.8%	23.2%	28.1%	25.0%
Vacant/Surf. Park. (Evans-Ch. ^c)	na	44.2%	42.0%	44.0%	42.8%	42.8%	45.8%	42.3%

a. All data derived from Google Earth aerial imagery except 1978, derived from City of Phoenix 1979a, p.4.

b. Expressed as a percentage of ground square feet, excluding roads.

c. Evans-Churchill is defined here as area from Fillmore St. north to Hance Park, and between Central Ave. and 7th St.

Although infill development initiatives have considerably reduced the amount of district-wide vacant land in this time period, downtown has still been pockmarked by a relatively large amount of vacant land for decades, especially in certain areas like Evans-Churchill. Despite fast growing current momentum towards infill development, typified by projects like the Roosevelt Pointe mid-rise project, the district continues to host a disconcerting amount of vacant or underutilized land. Many community members and observers blame the historical abundance of vacant land for the lack of infill development over the years, noting that it undoubtedly discouraged private investment due to the appearance of urban disorder and decline;⁹³ academic studies of vacant land reinforce the proposed causality between vacancy and lack of investment (Accordino and Johnson 2000; Bowman and Pagano 2004). Yet for community members who live and work in the district, the effects of long-term vacant land have been more visceral and personal. Vacant lots clearly affect community quality of life not only by encouraging delinquency, crime, and cycles of disinvestment, but also simply because they present an unappealing, unshaded streetscape for pedestrians in which urban services are few and far between (which becomes borderline dangerous during the intense Sonoran Desert summer). A

⁹³ Brown, interview; Legg, interview; Abromovitz, interview.

number of interview respondents argued that vacant lots continue to be one of the most pressing problems facing the downtown community due to day-to-day quality of life issues.⁹⁴

Yet despite the focus on government influence over urban redevelopment outcomes emanating from the academic literature as well as from local stakeholders, it is important to note that government influence over infill development is ultimately limited by a range of economic, political, and cultural factors, especially in Arizona. Numerous authors have studied the ways in which municipal governments in the United States are legally and politically restricted by federal laws that privilege federal, state, and county governments over municipalities (Peterson 1981; Frug 1999). The traditionally contentious balance of power between federal and state governments leaves no explicit political authority for city governments, and cities are forced to constantly seek legislative approval to exert control over many aspects of urban governance (Peterson 1981). Furthermore, most metropolitan areas are fractured into an array of small local governments and the lack of centralized authority derived from weak municipal power often leads to mutually detrimental intra-urban competition (Frug 1999). Ultimately, municipalities are often hamstrung when addressing infill development issues because “most state laws severely constrict local government action and thus, protect the individual property owner at the expense of the surrounding community” (Accordino and Johnson 2000, 313). Although few states grant a significant amount of legal autonomy to cities, Arizona municipalities appear especially restricted. For example, Arizona is the only state that has not legally enabled tax increment financing for urban redevelopment

⁹⁴ McPherson, interview; Brice, interview; Esser, interview.

(notwithstanding a specially created district in Tucson), preventing city governments from creating special tax assessment districts for targeted projects; although TIFs have been proposed numerous times in the state legislature, they have been defeated consistently by special interest groups fearing change to existing funding allocations (MAG 2003a). This issue is closely connected to the broader inability of municipalities to independently assess and collect property taxes under Arizona state law.

The most blatant way in which Arizona municipalities are disenfranchised from full control over urban land use by state government is derived from the 2006 passage of infamous Proposition 207, or the Private Property Rights Protection Act. “Arguably the most sweeping change in land use law in the State’s history” (Gammage Jr. 2008, 1), Prop 207 instituted two major restrictions on municipal government: cities are restricted from using eminent domain to assume control over land, except for explicitly public purposes; and cities are required to compensate private property owners if any zoning or other land-use regulation reduces the value of their property.⁹⁵ Although the law was mainly billed as an anti-eminent domain law, most observers agreed that the eminent domain restrictions are relatively minor compared to the drastic legal change embodied in the second provision (Gammage Jr. 2008). Tracing the legal history of zoning law, Gammage Jr. (2008) notes that since the 1920’s federal law has recognized that the “social compact” undergirding modern society implies that individuals must “surrender some measure” of private property rights, and that government would be unduly burdened by compensating for all changes in property values. “Proposition 207’s language repudiated this principle, for it says that whenever government adopts

⁹⁵ Diana Balasz, “Prop 207 hampers municipalities,” *Arizona Republic*, September 29, 2007.

regulations that to any degree diminish the value of private property it must compensate for doing so. The fact that other regulations may increase the value of the same property creating that “average reciprocity of advantage” is no longer justification for any diminution” (Gammage Jr. 2008, 5). This legal shift is seen as especially dramatic because, as a voter approved proposition, the law was not crafted through the compromising forces of legislative negotiation and because the state’s Voter Protection Act explicitly limits the legislature’s power to modify adopted voter initiatives (Gammage Jr. 2008). Most Arizona municipalities opposed Prop 207 due to fear that it would rob cities of sovereignty over zoning and land use control; the state’s real estate industry also opposed the law out of concern that it would make rezoning and development projects much harder to accomplish (Gammage Jr. 2008).

After the passage of Prop 207, there was an “absolute panic” among many municipal policymakers and other industry stakeholders worried about municipal paralysis and the future health of the urban development industry; these fears proved largely overblown, however, as cities began to successfully require that all entities seeking zoning changes must sign waivers releasing claims related to Prop 207.⁹⁶ Yet although the law has not practically affected municipal ability to approve specific private developments, it has exerted a number of indirect effects that have seriously constrained municipal initiative. After the law’s passage, the designation of historic districts has essentially halted due to fears that it could be challenged under Prop 207 by even one disaffected resident – despite the fact that many studies indicate that historic districts

⁹⁶ Lazarus, interview; Gammage Jr., interview.

increase, not decrease property values.⁹⁷ The law's limitations on eminent domain have affected municipal negotiations with property owners regarding land assembly and redevelopment projects not because the city is restricted in exercising eminent domain (a rarely used tool) as much as because the threat of eminent domain is often enough to bring property owners into reasonable negotiations.⁹⁸ Furthermore, the restriction on lowering property values directly prevents the city from proactively downzoning properties in areas where the proportion of commercial and retail zoned land is too high or where zoning changes are needed for historic preservation.⁹⁹ This is especially problematic in parts of downtown Phoenix where a large number of properties are zoned for high-rise development – and often remain vacant for years as owners wait for market conditions to change; see Chapter 6 – while most policymakers and industry observers agree that low to mid-rise density would be most appropriate and successful as an infill development strategy.¹⁰⁰ Thus although Prop 207 has not led to the immediate disablement of municipal development, as many feared, it has exerted many indirect effects that further limit proactive government redevelopment strategies.

Ultimately, Prop 207 has served to reinforce the exchange value mentality towards urban real estate, where property income is considered the sole source of value.¹⁰¹ It has also further deepened the preexisting commitment to privilege private property rights over municipal land use control – another way in which municipal government is legally disadvantaged in redevelopment initiatives. Many interview

⁹⁷ McPherson, interview; Gammage Jr., interview; Gammage Jr. 2008.

⁹⁸ Krietor, interview.

⁹⁹ Vera, interview; Legg, interview.

¹⁰⁰ Patton, interview.

¹⁰¹ Vera, Phoenix Urban Design Week speech.

respondents similarly emphasized the importance of private property rights, arguing that municipal government should be extremely limited in its ability to influence local land use or limit property rights without fair compensation;¹⁰² even community activists promoting more collective approaches to vacancy issues expressed resignation at the primacy of private property rights.¹⁰³ There are a variety of ways in which local communities can exert control over land use through democratic and political means – such as zoning and planning hearings, nonprofit advocacy, community design charrettes, and traditional democratic election of representatives – and these continue to be the main vehicle for challenging exchange value-based conceptions of urban property and encouraging municipal legal actions. Municipalities may be highly limited in legal authority due to federalism, suburban fragmentation, and individualistic property laws but democratic action continues to provide avenues for enabling public influence over local redevelopment.

In conclusion, the City of Phoenix has embarked on three distinct efforts to enact infill development in downtown Phoenix over the past fifty years: large stadium, event-space, and government building projects emphasizing single uses and automobile access; site-specific efforts to attract private office, residential, and commercial development utilizing GPLET tax incentives; and “neobohehian” initiatives to attract research institutions and encourage the generative formation of a knowledge-based economy and arts-based cultural production. In practice, these three efforts have often been intertwined, especially as the city works closely with public-private organizations to enact development under market conditions often hostile to dense, mixed-use development.

¹⁰² Schneider, interview; Lazarus, interview.

¹⁰³ Moore, interview; Esser, interview.

Many of the City's development strategies can be characterized as neoliberal in scope: the top-down imposition of stadium and entertainment district development strategies; close collaboration with business elites and the intimate utilization of quasi-public organizations to achieve development goals; and an aggressive, entrepreneurial municipal development strategy engaged in inter-municipal competition for economic success. Yet the City's increasing adherence to the neobohebian template, including regulatory reforms friendly to generative small business development, adaptive reuse, and sustainability-oriented policies, indicates that the City's commitment to neoliberalism is not overly entrenched; even when pursuing infill development in an entrepreneurial fashion, the City has shown initial signs of a willingness to direct the character of private development towards publicly-oriented goals. Furthermore, it is important to remember the variety of ways in which municipal government is legally constrained by federal and state government structures and the long American tradition of exchange value oriented private property rights. Overall, infill development efforts have been successful at consistently reducing the amount of vacant land in downtown since the 1970s, although this redevelopment is not spread evenly across the district and sometimes comes at the expense of established residential districts.

Chapter 5: A Study of Local Tangibility in the Political Economy of Land Ownership in Downtown Phoenix, Arizona

Downtown Phoenix, Arizona represents an interesting arena for study under the combined theoretical lenses of sustainable and neoliberal urban development. While policymakers, community members and business leaders are increasingly interested in sustainability promotion and infill development in the district, the political economy guiding development trajectories in the city has long been influenced by neoliberal emphases on free market economies and municipal entrepreneurialism. The following paper investigates the extent to which a local, tangible relationship has existed between the local downtown community and political economic development forces, as promoted in the sustainable urban development literature. Focusing on property ownership and sales in a study area surrounding Phoenix's central business district, the paper probes whether the localness of ownership has shifted over the past two decades, especially in regard to vacant lots presenting critical opportunities for sustainable infill development. The study continues on to investigate whether land speculation has possibly stymied residential development of vacant land, as land owners promote the exchange value of land over community use value and sustainability goals. Ultimately, this paper contributes to an important debate surrounding the practical coexistence of sustainable urban development and increasingly globalized capital accumulation at the municipal level of sustainability policymaking.

Background

Sustainable urban development is directly concerned with the tangibility of the relationship between a place-based community and the larger forces of political economy influencing the production of the local built environment. As stated in Chapter 1, this place-political economy relationship suggests that local communities should be able to understand and exert a degree of control over their governance as well as over the business interests impacting local land use and economic exchange. Since this relationship helps determine the structure of the built environment as well as the consumer options available in local communities, it impacts the transparency of other relationships critical for sustainable urban development, such as the person-place and producer-consumer relationships.

Two sub-relationships are important for understanding the place-political economy relationship in any given locale (Chapter 1). The place-capital relationship focuses upon how financial capital is invested in and generated from the development of place. The ownership-occupancy relationship describes the degree to which property owners are physically present in the generation of economic value from their property. Both relations are important for sustainable urban development because they indicate the degree to which urban economic success can be understood and self-sustained by local residents. When property and business owners and their capital reserves are locally embedded, theorists argue, the reinvestment of financial capital in local development opportunities helps create vibrant living environments and social capital connections, all of which can lead to more resilient and dynamic socio-economic strategies.

The value of tangible local control over development outcomes is enhanced when considering critical perspectives on capitalist political economy (Chapter 2). An

increasing emphasis on financial capital production in neoliberal global economies has generated immense wealth, but very often this capital is functionally disconnected from the everyday production of economic value by local people. A central outcome of increasingly popular neoliberalized policy reforms is the treatment of property and goods as assets for impersonal market exchange, as opposed to valuation in relation to their functional uses in socio-economic life. Speculative land sales are especially troublesome in this conception of sustainable development, as they represent an extreme form of exchange-based valuation where anticipated use values and urban growth are capitalized without investing in place or community.

Infill land development conducted within a tangible place-political economy relationship has been elevated as an ideal strategy for sustainable urban development (Chapter 1). Cities with higher population densities can promote a host of development efficiencies related to mass transit and energy use (Glaeser 2011). Dense cities tend to emit less carbon, potentially decreasing the adverse effects of climate change (Newman et al. 2009). Human and social capital can be better promoted by dense urban conditions, as social interactions increase, and in turn these benefits can help generate dynamic regional economies based on knowledge spillovers and cultural production (Scott 2000; Newman and Jennings 2008). When infill development is conducted by local firms in a transparent, democratic process, it provides an opportunity for community members to help direct the creation of built environments that better satisfy their needs, while generating the possibility that place-based use values, local economic success, and capital reinvestment can all increase in a positive feedback loop (Bruyn 1987; Shuman 2006; Newman and Jennings 2008).

Critical theorists warn, however, that when infill development is promoted by municipal sustainable development initiatives, it can become hijacked by neoliberal policies that remove commitments to tangible place-capital relationships (Chapter 2). Municipal competition for corporate investment, often arranged through public-private partnerships that prioritize development ahead of sustainability goals, can privilege non-local firms and obscure capital financing. Municipal governments are increasingly forced to employ entrepreneurial strategies to promote development patterns beneficial to more than a narrow subset of local residents. Thus although sustainable urban development may be official municipal policy, neoliberal policies often creep in, leading to the exchange valuation of local land and community assets. Infill development and tangible place-political economy relationships are rarely promoted concurrently in modern capitalist cities.

The following chapter presents evidence documenting two different but interconnected factors influencing the tangibility of infill development in downtown Phoenix: the degree of local property ownership and the extent of “pure” real estate speculation involving vacant land. While these two factors are not necessarily causally connected, there are a number of precedents for this type of joint study as some authors recognize that the harmful impacts of land speculation may be heightened when conducted by non-local actors possessing inferior information about and connections to local property markets and communities. In historical perspective, many early progressive land historians denounced the prevalence of absentee land speculation on the American frontier, arguing that speculators had unjustly appropriated large tracts of land simply to profit from westward expansion. In this view, speculators had captured the

public value of low priced frontier land – intended as a subsidy to encourage local farm ownership and community building – an action that stymied local ownership and pushed many settlers into unstable tenancy relationship with distant landlords (Swierenga 1977). In modern cities, some authors are similarly concerned about the effects of absentee speculation on local communities and economic development. Bruyn (1987, 10) posits that: “Speculation in the land market is one of the causes of community deterioration. Even though absentee owners do not always destroy local initiative and sometimes contribute significantly to development, large numbers within a concentrated area tend to destroy local self-direction and responsibility.” McCarthy (2011) worries that absentee speculation exerts harmful effects not only on Vancouver’s communities but on the property market as well; as the amount of foreign real estate investment reaches record levels, Vancouver’s property market has become the third most expensive in the world, creating a possible housing bubble while perversely encouraging municipal government to derive most public revenues from taxing high property values. These authors believe that absentee market inventions create a certain instability in local communities born from a disconnect between capital sources, capital investment, and local knowledge.

Chinco and Mayer (2012) present the most detailed argument linking non-local property ownership, land speculation, and adverse economic impacts. Comparing the regional locations of second home investors with the locations of purchases, and considering economic data such as capital gains and house price appreciation, the authors show that non-local housing investors earned lower capital gains than local second home investors while also directly contributing to house price increases. The authors note that these effects were magnified in certain Sunbelt cities like Las Vegas and Phoenix, partly

due to high rates of absentee ownership. In Phoenix, for example, the mean percentage of single family homes purchased by distant speculators from 2000 to 2007 is 7.7%, while the maximum was 15.5% at the height of the boom in 2004 to 2005; housing price appreciation topped out at 35% annually at the height, a trend the authors linked to distant speculator investment but not local investment in second homes. The authors conclude that non-local housing investors “behave much like overconfident or uninformed speculators...[and] appear less informed about local market conditions” (Chinco and Mayer 2012), a finding which indicates that speculation in the last market cycle may have reverted from “market-enhancing” to “market-hampering” due to uninformed market participants adhering to a herd mentality (Foldvary 1998).

Recent studies also specifically link property speculation to the harmful economic trajectory experienced in the 2008 recession. Glaeser (2013) notes that in the “Great Housing Convulsion” of 1996-2012 in the United States, there was a 53% increase in housing prices from 1996-2006 followed by a subsequent decline of 28%. While the majority of commentators have blamed cheap credit for the housing bubble and subsequent economic collapse, Glaeser (2013) questions this explanation and notes the possibility that mass, uninformed speculation was a primary driver. Other authors have conducted specific economic studies to understand the connections between speculation and the recession. Haughwout et al. (2011) use credit report data to show that, in the states with the biggest booms and busts (e.g., Nevada, Arizona, Florida, and California), almost half of mortgage originations were associated with real estate investors rather than owner occupants – a level higher than other, more economically stable states. Bayer et al. (2011) study house flipping in the Los Angeles metropolitan area over the 20 years

before the 2008 recession, focusing on investors who both possess multiple mortgages and resold housing within two years of purchase, and correcting for added renovation value. The authors found that over 15% of homes purchased between 2003 and 2005, at the height of the boom, were resold within two years – a rate more than triple the “cold market” period in the early 1990s. While none of these studies can definitively link property speculation with the 2008 recession – especially since there were undoubtedly a variety of contributing factors – they indicate that speculation could have indeed played a central role. More generally, they point to the viability and importance of studying speculative political economies in greater detail.

Case Study: Infill Development in Downtown Phoenix

The evolution of downtown Phoenix over the past twenty years provides an interesting case study of the political economy of sustainable infill development. Due to rapid suburban growth promoted by leapfrog development, Phoenix has a preponderance of vacant land within city borders (Chapter 3). Vacant land is especially common in downtown Phoenix due to residential and commercial flight from the central business district to outlying areas during the decades following the late 1950s (Chapter 4). As a result, downtown Phoenix has tremendous potential for dense, infill development close to existing skyscrapers, the variety of municipal, county, state and federal offices, and the burgeoning arts district along Roosevelt Street.

The focal period under study (1992-2012) is especially relevant because it has witnessed significant growth in popular and political support for downtown revitalization, infill development, and sustainability goals (Chapter 4). Major stadiums, skyscrapers, and

planned commercial developments have all been built in downtown Phoenix since the 1980s. The existing momentum behind downtown development was further increased by two specific initiatives: the recent construction of a light rail transit line connecting downtown with other major population centers in the metropolitan area; and the 2004 announcement of a new Arizona State University campus in downtown, spurring city government to create a new civic park attached to a transit center and light rail. These initiatives coincided with a period of tremendous demand for and growth in residential land development and population on the urban fringes of the metropolitan area. Although most developers continued to focus on the suburban growth template so successful throughout the 20th century history of Phoenix, a growing number saw the potential for infill development in downtown and increasingly sought the necessary zoning all around the downtown district. Furthermore, not only had major Valley policymakers embraced a vision of dynamic urbanism by advocating light rail construction, but they increasingly supported sustainability ideals. Phoenix mayor Phil Gordon, elected in 2004, explicitly supported sustainability and the revitalization of downtown through infill development.

Downtown Phoenix is also an important arena for study in this context because of the city's history of neoliberal policy interventions (Ross 2011). Originating in the tax reductions and pioneering "right-to-work" legislation pushed by the Phoenix Chamber of Commerce in the late 1940s, and continuing on to the national stage through Senator Barry Goldwater, Phoenix has a long history of promoting laissez-faire economic strategies that ideally decrease government influence. Downtown development is also largely indebted to the types of growth-oriented, public-private partnerships so often cited in the critical literature surrounding neoliberalism. The Downtown Phoenix Partnership

and the Phoenix Community Alliance represent the most powerful examples of public-private partnerships, providing a bridge of communication between city policymakers and downtown business interests helpful for the construction of major projects like arenas and skyscrapers. Furthermore, city officials themselves have worked closely with prospective developers on virtually every project constructed in the district over the past twenty years, often offering generous tax incentives to spur development. When viewed from a broad perspective, downtown Phoenix presents an intriguing case study at the interface between sustainable development and neoliberal discourses. As echoed in the critical literature, Phoenix's neoliberal ideology of free market development uneasily coexists with highly interventionist municipal and public-private power brokers in guiding the trajectory of downtown development.

Thus there exists a significant tension between sustainability initiatives and neoliberal conceptions of property and development in downtown Phoenix that warrants detailed study. Although the abundance of vacant land surrounding the downtown core offers much potential for infill development and a sustainable urban economy, the history of Phoenix suggests that this land will be treated more as abstract commodity and less as local community asset. Neoliberal policies and non-local capital may be privileged over sustainability policies predicated upon locally generated wealth. The research presented here investigates these myriad issues from a quantitative perspective, based on the following research questions:

1. To what extent has property in downtown Phoenix over the past 20 years been owned, occupied, and tangibly controlled by local residents?

2. To what extent has vacant property in downtown Phoenix over the past 20 years been subject to speculative sales and public-private entrepreneurialism?

Although there are a number of studies that address property speculation in contemporary markets (Triantafyllopoulos 2010; Bayer et al. 2011; Haughwout et al. 2011; Chingo and Mayer 2012), no comparable, geographically specific studies of urban land ownership and speculation were found in the literature. No comparable studies of local and absentee property ownership in urban areas were found as well. Thus, the following study is intended as a novel contribution to the nascent literature on local ownership and property speculation, and unlike the economics-based studies cited above, it focuses on a local urban scale in the political economic context of modern American urban development.

Methods and Data Sources

A property ownership study of downtown Phoenix was conducted utilizing geographic information system (GIS) mapping and analysis, archival research, and document analysis. The study period, from 1992-2012, was intended to capture the ownership patterns before, during, and after the boom in housing construction and housing prices during the mid-2000s. The study area was confined to the territory between 7th St. on the east and 7th Ave. on the west, and between Interstate 10/Hance Park on the north and Buchanan St. on the south. This area incorporates the entirety of the central business district and a number of other neighborhoods including the Roosevelt Row district. GIS analysis enabled the creation of maps and tables displaying property ownership patterns in downtown Phoenix over the past twenty years. Detailed archival research augmented, clarified, and corrected the GIS data used.

The primary source of data regarding property ownership was derived from the Maricopa County Assessor's Office, via the cyberinformatics librarian at Arizona State University's Hayden Library. This GIS data – available only for 2001, 2007, and 2009-2012 – provided property owner names, location information based on owner addresses, land use classifications, spatial information including parcel areas, and the assessed valuation of properties (based on full cash value). The Maricopa County Recorder's Office provided archival data regarding legal property ownership and transfers of ownership. These data indicated property owners and transfers for years missing in the assessor data, augmented the owner address data, and provided the exact notarized dates of legal property transfers. A third source of property ownership and legal transfer data was a private company (Information Market LLC), with data made available by Arizona State University's W.P. Carey School of Business. This data, compiled from sales affidavits required to be filed with Maricopa County during property sales, provided another source of owner name and address information for confirmation purposes as well as sale prices, legal transfer types, and sale financing types. Since many property owners are companies (often limited liability companies), specific corporate data was required to fully track the locations of owners and best estimate the locations of their capital reserves. Data regarding corporate records was retrieved from the archives of the Corporations Division of the Arizona Corporation Commission. This data indicated the existence of parent companies or parent ownership chains, and provided a crucial source of supplemental location data based on corporate addresses as well as the addresses of directors, officers, managers, and members. Finally, since assessor data regarding land use classification was often spotty or inaccurate, Google Earth aerial imagery available

for multiple years back to 1992 was used to determine whether properties under study were built, vacant, or surface parking before or after legal transfers.

The study of ownership patterns was split into two approaches. In the first approach, the general characteristics of property ownership across all parcels in the district were studied; the study area included 1,479 parcels in 2001, increasing to 2,084 parcels in 2012 due to residential condo development and other factors. In the second approach, all privately owned properties that were vacant or non-institutionally affiliated surface parking in 2011 were studied in more detail; these properties totaled 198 parcels, broken into 55 contiguous properties for purposes of analysis. Of these properties, the eight with the most ownership transfers between 1992-2012 were analyzed in even greater detail.

Results

District-wide Property Ownership, 2001-2012

A study of district-wide property ownership patterns in downtown Phoenix was conducted based on county assessor data indicating ownership and owner addresses. To understand whether there were shifts in the proportions of downtown properties owned by institutional or local entities, all land in downtown was divided into four categories: private local ownership, private non-local ownership, City of Phoenix ownership, and owned by other governmental agencies. Local ownership was further divided into two categories: owners located in or out of the State of Arizona, and those located in or out of the City of Phoenix. All data are given as ground square footage, thus excluding any privately-owned and tax-assessed residential units existing at the second floor or

higher.¹⁰⁴ Ownership includes the private leaseholders of GPLET properties and their locations, although these properties are technically owned by the City of Phoenix as part of the GPLET tax incentive program.¹⁰⁵

A historical analysis of property ownership changes from 2001 to 2012 reveals significant increases in both city-owned land and private, non-local owners (Table 2). The City of Phoenix consistently purchased land in this period, raising the proportion of city-owned land from 22.6% to 28.6% by 2012. While in-state land owners decreased slightly, the number of out-of-state owners rose more significantly. Despite this increase in out-of-state ownership, in-state ownership remained much more prevalent than out-of-state ownership at the end of the period. A look at city-based ownership reveals a more substantial shift towards non-local ownership, however. Private out-of-city ownership, significantly less than in-city ownership in 2001, rose to eclipse both private local ownership and city government ownership by 2012.

¹⁰⁴ Ground sq. ft., instead of total sq. ft., is used so that newly constructed residential condominium units – which greatly increased the assessed square footage of the district by 2012 – do not skew the historical comparison. This is especially important because many of these units have been developer-owned, which would disproportionately privilege the developer’s location despite a lack of actual residential occupancy.

¹⁰⁵ The GPLET (Government Property Lease Excise Tax) program is discussed in detail in Chapter 4.

Table 2. Property ownership in downtown Phoenix, 2001-2012, by percentage of ground sq. ft.

Ownership	State of Arizona			City of Phoenix		
	2001	2007	2012	2001	2007	2012
Private local ^a	40.2%	37.3%	38.2%	33.2%	27.7%	27.6%
Private non-local ^b	14.2%	17.4%	20.7%	21.3%	26.9%	31.2%
City of Phoenix	22.6%	25.3%	28.6%	22.6%	25.3%	28.6%
County, state, fed gov.	14.0%	14.8%	12.6%	14.0%	14.8%	12.6%
Missing data	9.0%	5.3%	0.0%	9.0%	5.3%	0.0%

a. Indicates ownership located inside the area specified in headers

b. Indicates ownership located outside the area specified in headers

Maps of local, non-local, and government ownership in downtown Phoenix help clarify the shifts towards city and non-local ownership displayed in Table 2. Figures 8 and 9 illustrate that gains in city ownership are mainly based on land purchases for two specific institutional initiatives: the creation of Arizona State University’s downtown campus, and municipal planning for a future private biomedical campus (see Chapter 4 for details). These purchases are concentrated in the centers and NE quadrants of the maps. Yet it is clear that the city was active in purchasing additional parcels in this time period, mostly located in northern neighborhoods.

The gains in private, non-local ownership, as portrayed in Table 2, appear to be concentrated primarily in the northern half of the study area. The rise in out-of-state ownership appears highest in the Roosevelt and Evans Churchill districts,¹⁰⁶ with especially numerous parcels transferring to out-of-state ownership in the two blocks south of Roosevelt Street between Central Avenue and the western edge of the district at

¹⁰⁶ Figure 4.5 in Chapter 4 displays a map of downtown Phoenix neighborhoods, taken from the 2010 Downtown Phoenix Code districts, which is used here when referencing specific neighborhoods.

7th Avenue, as well as in the immediate area surrounding the intersection of Roosevelt St. and 3rd St (Figure 8). The rise in out-of-city ownership is even more noticeable in these two specific areas, especially in the larger area of Evans Churchill surrounding the intersection of Roosevelt and 3rd St (Figure 9). Out-of-city gains are also distinct in the Roosevelt South neighborhood, the 3rd block south of Roosevelt Street between Central and 7th Avenues (Figure 9). The implication underlying both of these trends is that non-local individuals or companies are increasingly investing in properties in these primarily residential communities, possibly in response to either specific public infrastructure investments (e.g., light rail, ASU campus) or broader market forces.

There is a significant amount of missing 2001 data which is fully accounted for in 2012 (9% of ground sq. ft.), and the noticeable trends towards non-local and city ownership can be partially explained by situations where parcel data changed from missing to non-local or city ownership. This is especially clear in the large parcel bordering the railroad in the SW corner of the maps (Figures 8 and 9). A close examination of the outcomes of all parcels with missing 2001 data, however, reveals that they converted to all four types of ownership in 2012. As a result, the missing data does not account for most of the ownership type changes observed in the study period. Furthermore, many of the parcels converted to city or private local ownership by 2012 were owned non-locally in 2001, especially those comprising the new ASU campus (surrounding Central Avenue in the center of the maps) (Figures 8 and 9). Thus non-local ownership in the district increased significantly from 2001 despite the conversion of these large, previously non-local properties.

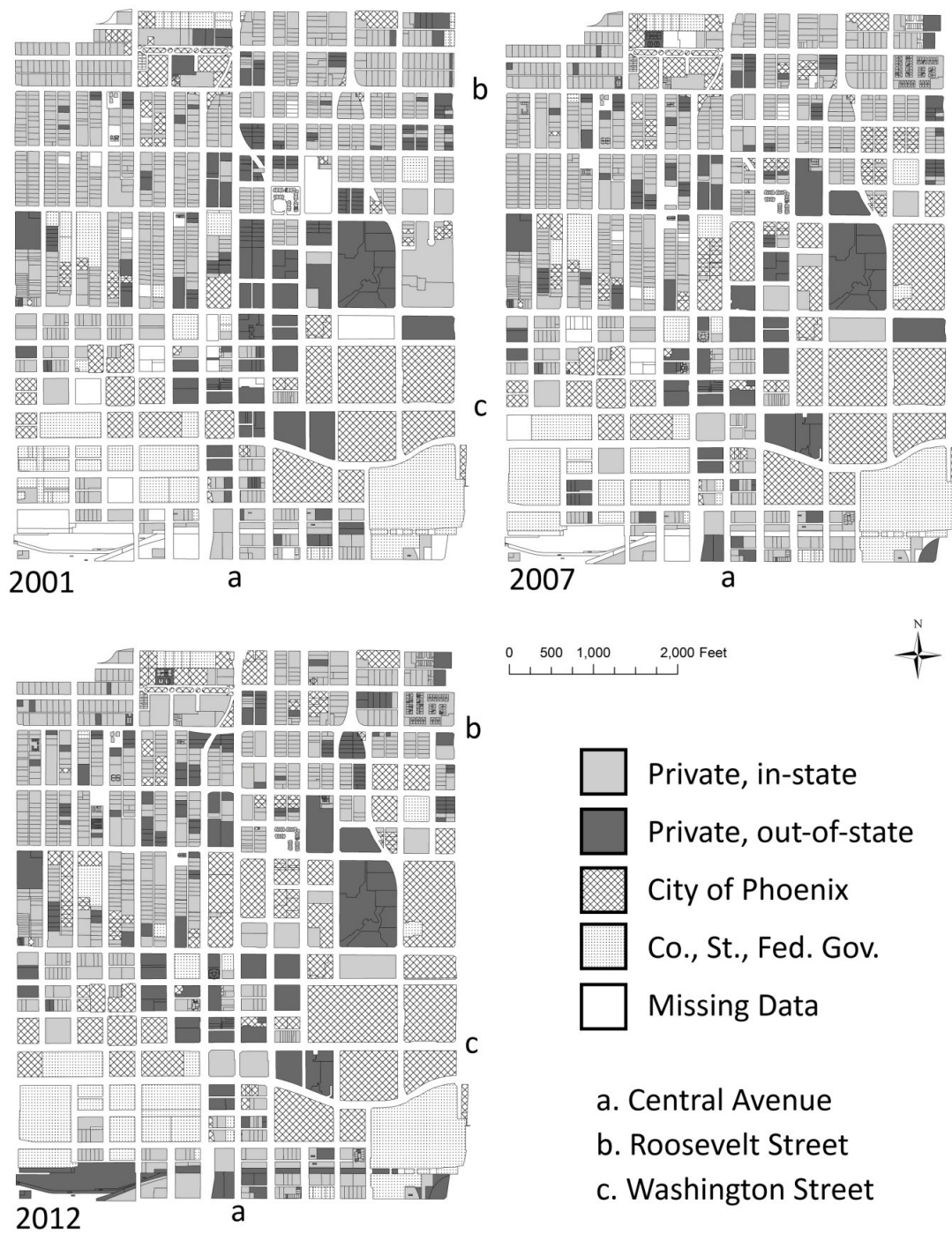


Figure 8. Property ownership in downtown Phoenix, 2001-2012, by state location

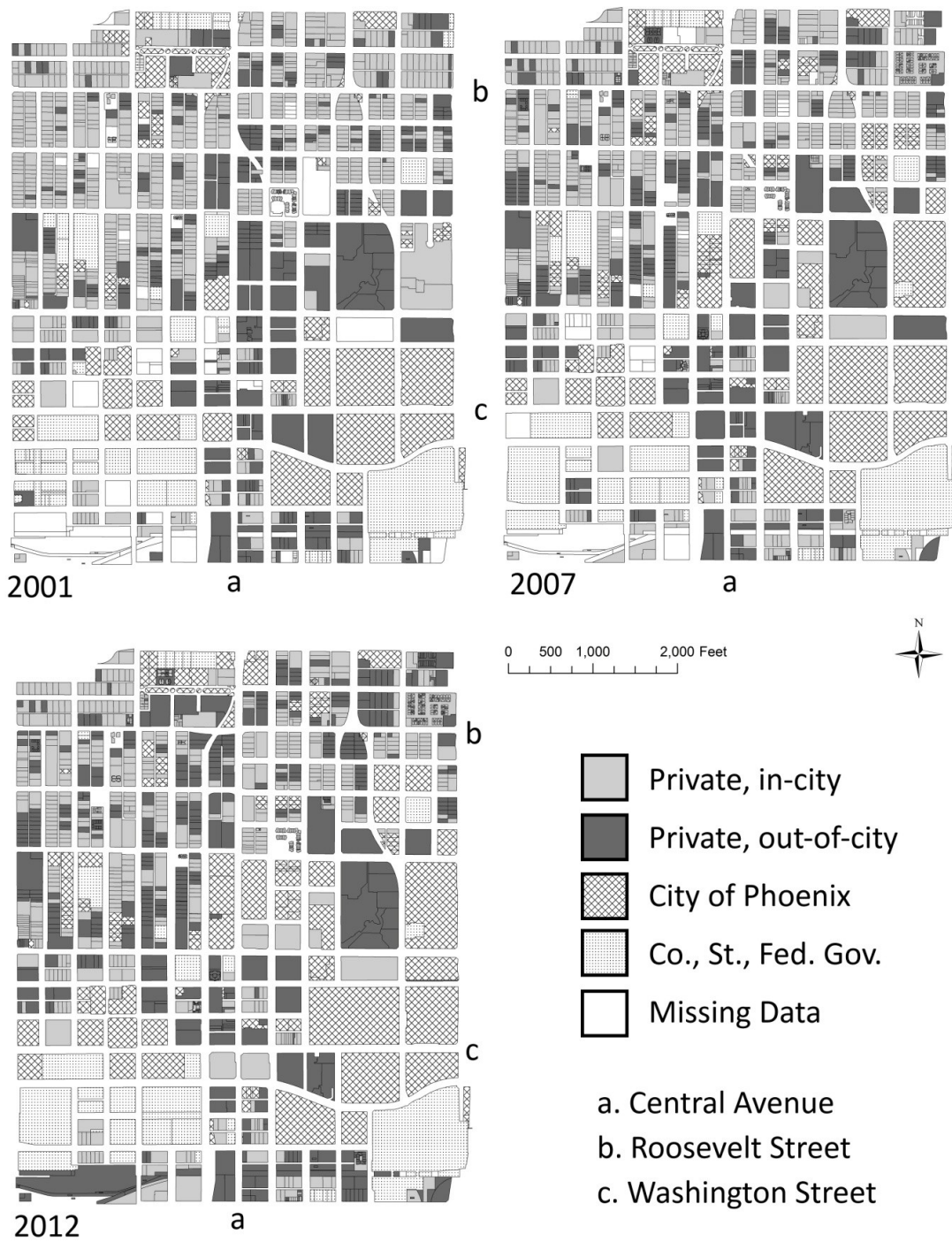


Figure 9. Property ownership in downtown Phoenix, 2001-2012, by city location

In order to better understand the increasing shift toward non-local ownership, Figures 10 and 11 indicate the locations of all downtown property owners from 2001 to 2012. The maps indicate the possible dispersion of owners in the Phoenix metropolitan area (Figure 10) and in the United States (Figure 11). They were produced based on the geocoded addresses of property owners in county assessor data. Locational dots were graduated based on the amount of ground square footage owned in the district. All government office addresses were excluded from the analysis to emphasize the placement of private owners. All P.O. Boxes were also excluded since they do not show the true locations of owners – they are located in the geographical centers of zip codes instead of true post office locations under standard geocoding techniques. If mapped correctly, P.O. boxes would misleadingly suggest large single owners at post office locations.

Figure 10 shows the dispersion of downtown property owners in the Phoenix metropolitan area. Although firm trends are hard to identify, there does seem to be growth in property ownership located in North Scottsdale, in the NE quadrant of the area, along with a concomitant decrease in ownership in east central Phoenix. This possible trend is notable because North Scottsdale is the wealthiest area of the metropolitan area, suggesting a shift in ownership towards higher-income individuals and corporations increasingly separated physically from the downtown community. This trend can be partially explained by the rapid urbanization of the metropolitan area's urban fringe, especially in North Scottsdale, in the study period. Land use data showing the urbanized extent of the Phoenix metropolitan area in 2000, however, indicates that many wealthy peripheral suburban developments in North Scottsdale had already been constructed by 2001 (ASU and Moeller 2000). Figure 11 indicates the location of property owners in the

United States. Although again, distinct trends are hard to quantify, there appears to be an increased dispersion of out-of-state property owners, most noticeably in the American South. It may be that many of the out-of-state gains indicated in Table 2 are concentrated in and obscured by major cities already home to significant land holdings, especially in the Los Angeles area. Perhaps the most immediately apparent attribute of non-local downtown landowners is their wide distribution; although concentrated in certain districts (Central Ave. corridor, Camelback corridor) and cities (Los Angeles), landowners are widely scattered across the Phoenix metropolitan area and the United States at large.

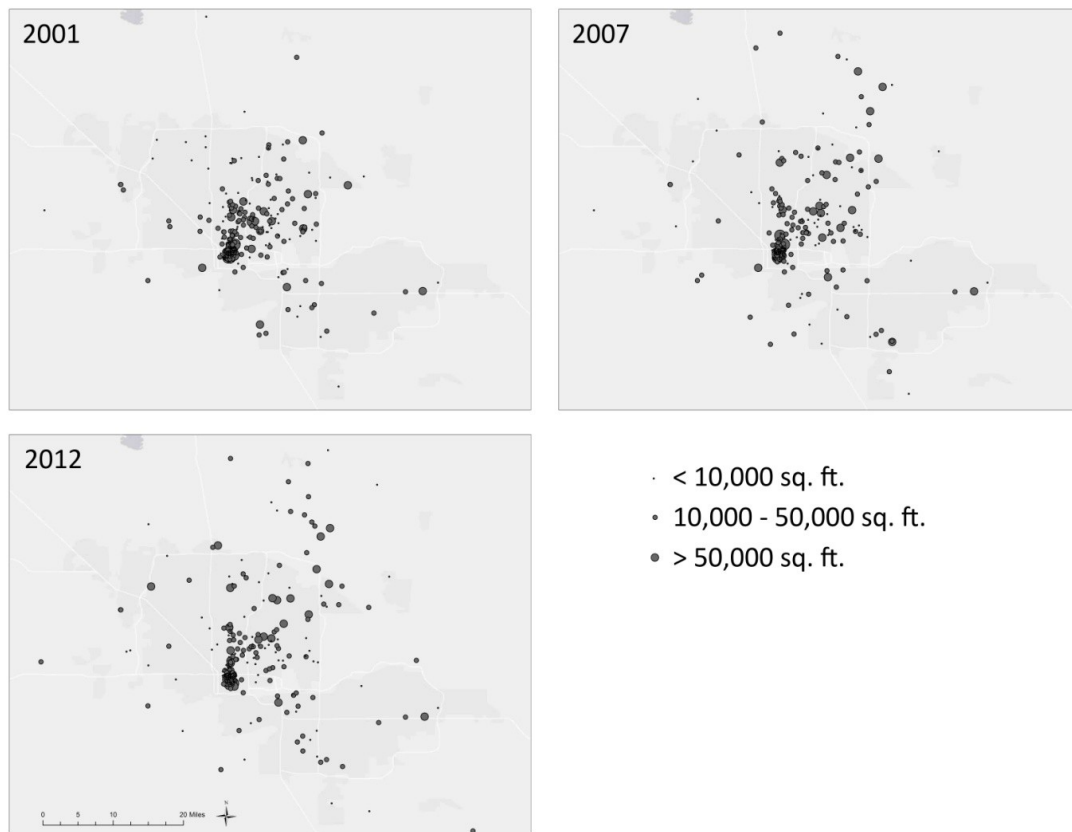


Figure 10. Downtown property owner locations in the Phoenix metropolitan area, graduated by ground sq. ft. of owned land



Figure 11. Downtown property owner locations in the United States, graduated by ground sq. ft. of owned land

Vacant Property Ownership, 1992-2012

To better assess the extent of local property control, especially in regard to vacant land offering the best opportunities for dense infill development, a case study of 55 specific properties within the downtown district was conducted. All case study properties were vacant or surface parking at the time the study began, in summer 2011. Like the previous section, the case study first focuses upon the amount of local in-city or in-state ownership of vacant lands, to see whether the failure to implement infill development on these properties is possibly related to a lack of local control over the development process. Next, the case study focuses on an even smaller subset of properties – the eight with the most ownership transfers over the past 20 years – to determine whether speculative property sales and exchange valuation of urban land correlate with the failure to promote infill development on these properties.

Case study lots were selected based on vacant or surface parking land use in 2011, as determined by personal observation and Google Earth aerial imagery from March 2011. In that month, 24.7% of land in the downtown Phoenix study area was vacant or paved for surface parking (Figure 12; Table 1). Although all of this land is ripe for sustainable urban development, only fully vacant parcels or non-institutionally affiliated surface parking lots were chosen for the case study, under the notion that institutionally-affiliated parking (e.g., attached to businesses, schools, etc.) is less likely to have been marketed over the past twenty years or to be developed in the near future. A number of other large properties, like those assembled by the City of Phoenix for the future biomedical campus, were also excluded from the case study because of longstanding municipal ownership. Aside from these exclusions, the 55 properties selected

(representing a total of 198 owned parcels) represent the majority of open developable land in 2011 (Figure 13).

A study of case study property ownership transfers from 1992 to 2012 revealed three different categories of ownership tenure based on duration of ownership (Figure 13): properties with very few ownership transfers (0-1); properties with the highest number of ownership transfers (labeled with letters and studied in further detail below); and all other properties. Ownership transfers were determined by deed transfers recorded by the county recorder's office, with dates corresponding to the date of notarized transfer. The number of transfers includes all transfers of ownership except transfers within families (e.g., between individuals with same surname, or between an individual and a family trust with the same surname). The properties with very few ownership transfers (light grey parcels in Figure 13), often not transferred at all over the past twenty years, were in many cases held under a family trust as a long-term asset. While a few of these properties are actively employed as general commercial parking, many have remained unused for many years, even if paved for parking. Other case study properties were transferred more often, and the number of transfers varied widely, from twice to 14 times in the past 20 years (darkest grey parcels in Figure 13).

A study of non-local ownership patterns for the vacant and surface parking case study lots was conducted in a similar approach to the general district-wide study, but included data back to 1992. This study revealed a similar but much more drastic shift from local to non-local ownership among undeveloped parcels, especially in regard to out-of-city ownership (Table 3 and Figure 14). Unlike in the district-wide study, where ownership percentages represent all publically and privately owned ground square

footage in the district (Table 2), the vacancy case study ownership percentages only represent proportions of privately-owned vacant and surface parking land, excluding government-owned land and missing data (Table 3). Percentages are based on the total amount of privately owned square footage for which data is available in a given year, as shown in Table 3. The amount of square feet studied rose, and then fell, during the study period; square footage is initially lower in 1992 due to a small amount of missing ownership address data early in the study period, and it becomes lower again by 2012 due to an increasing amount of municipally-owned property (see Table 3). The data indicate that the City of Phoenix was increasingly active in buying vacant properties in the district, even if not targeted specifically for the ASU or biomedical campuses.

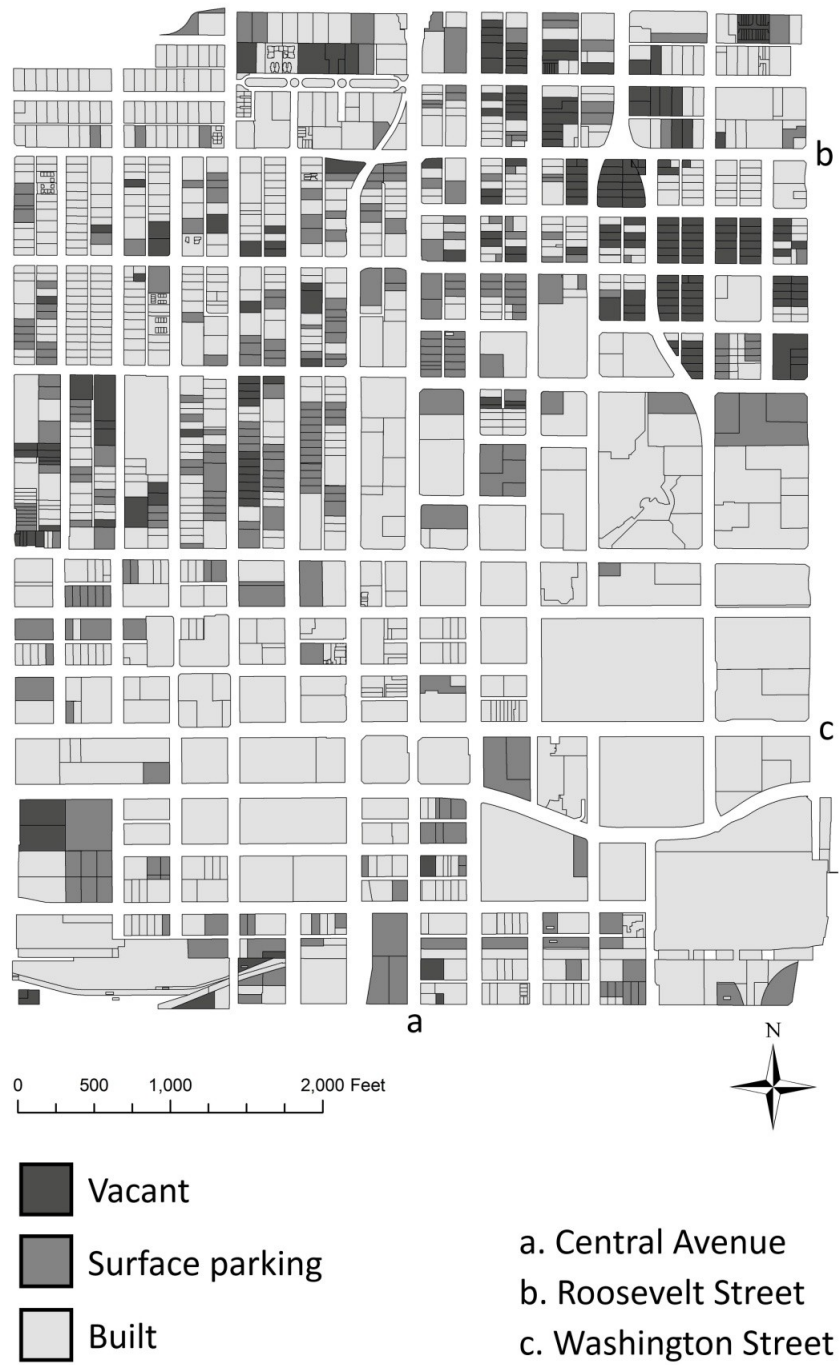


Figure 12. Vacant and surface parking lots in downtown Phoenix, March 2011



Figure 13. Vacant and surface parking lots included in case study. Shading indicates number of yearly ownership transfers. Lettered properties were analyzed in a detailed case study.

Table 3. Non-local private ownership of vacant and surface parking case study properties, 1992-2012

Ownership	1992	1997	2002	2007	2012
Private, out-of-state ^a	9.6%	17.1%	14.4%	16.5%	29.9%
Private, out-of-city ^a	20.5%	33.2%	35.1%	58.1%	77.2%
Total private sq. ft. ^b	1,468,143	1,509,289	1,535,958	1,440,515	1,432,329
City of Phoenix	0	0	5,331	191,985	198,317

- a. Percentage of privately-owned vacant/parking sq. ft. in given year with non-local ownership
- b. Total amount of private sq. ft. assessed for non-local percentages

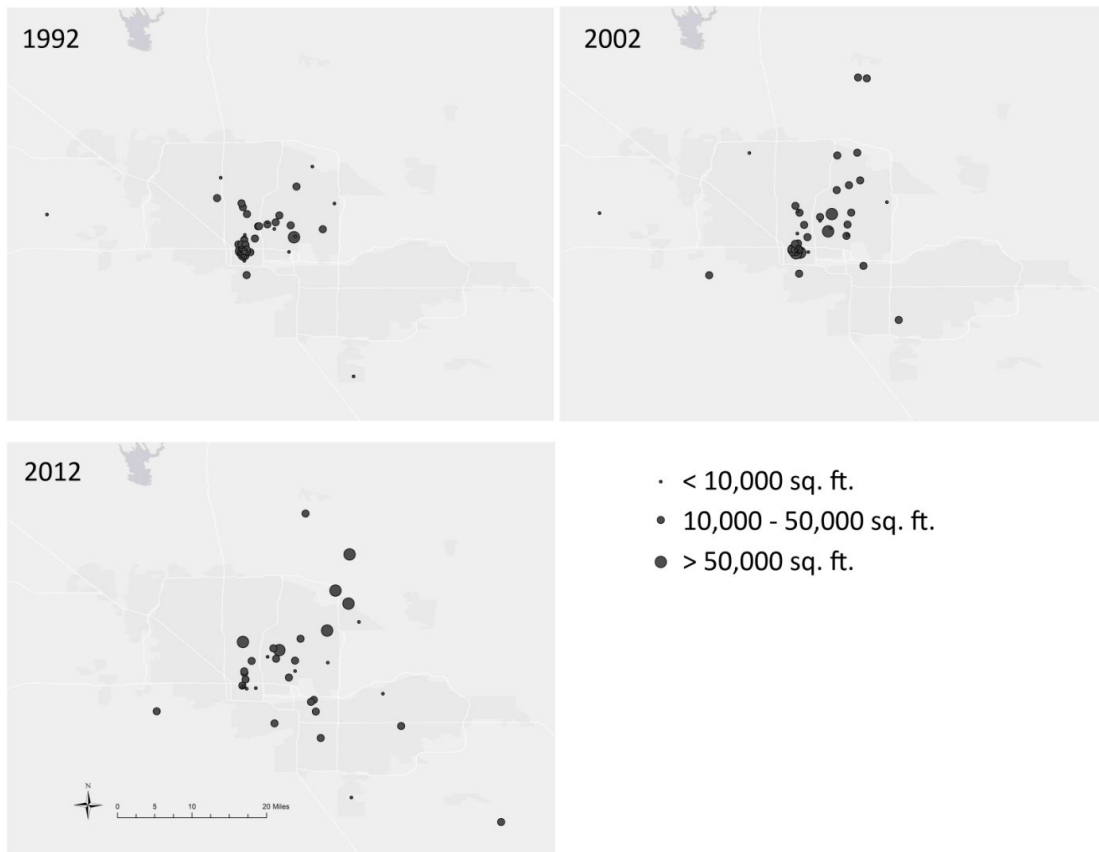


Figure 14. Owner locations for privately-owned vacant and surface parking case study properties, Phoenix metropolitan area, graduated by ground sq. ft. of owned land

The vacant and surface parking ownership case study reveals a drastic shift away from local ownership in the district, especially by 2012, in terms of both in-state and in-city ownership. The increasing amount of out-of-city ownership of privately held land in the time frame is especially striking, as it increases from 20.5% to 77.2% over 20 years (Table 3). Although some of this land was built up in earlier years, only becoming vacant more recently, a large percentage has remained vacant or underdeveloped throughout the study period. Figure 14 maps the spatial dispersion of private vacant property owners in the Phoenix metropolitan area as indicated by the out-of-city ownership stats in Table 3. Ownership location dots are graduated in size based on the amount of ground square feet owned. The mapped data excludes not only government-owned and missing data, but also all P.O. box addresses, due to the aforementioned representational problems; excluding property linked with P.O. box addresses subtracted 70,000 to 200,000 square feet of the privately-owned square footage studied in Table 3, depending on year. The data indicate a very significant shift in ownership away from downtown Phoenix and towards outlying districts in the metropolitan area, especially in wealthy areas like Paradise Valley and North Scottsdale (Figure 14). Unlike in Figure 10, the influence of rapid peripheral urbanization does not appear to be a mitigating factor because there is a clearer shift away from downtown Phoenix and towards districts that had been developed by the 1990s. Figure 14 also suggests that increasing amounts of vacant and surface parking land has been assembled and concentrated under fewer owners (including municipal government), indicated by fewer but larger ownership location dots. There were 60 unique private owner addresses for case study properties in 1992, but this number diminished to 47 unique addresses by 2012, despite a larger amount of missing address

data and smaller amount of mapped square footage in 1992. Thus the data indicate that private, undeveloped land in downtown Phoenix has been increasingly concentrated in municipal or non-local hands, by fewer owners with larger land holdings.

The case study was further expanded to determine whether property ownership and sales were motivated by speculative business strategies, where profits are based not on strategic property improvements and infill development, but upon capturing the financial value of undeveloped land in relation to expected or actual rises in property values. Figures 15 and 16 provide an initial indication that speculative strategies were pursued, especially in relation to public infrastructure announcements and the general boom in property markets in the mid-2000s. Figure 15 shows the number of property ownership transfers per year, based on a sum of all transfers for all vacant and surface parking parcels in the study area (again excluding inter-family or family trust transfers). Some parcels transferred ownership numerous times in a single year. The graph shows a distinct spike in transfer activity corresponding with the property boom and infrastructure announcements, after a long period of relative stability, which may indicate increased market activity aimed at capitalizing rising property values (Figure 15). Figure 16 shows the average assessed land values for case study properties in this time period, based on the full cash value of properties as determined by the county assessor's office. The data show a drastic 600% increase in land valuation between 2001 and 2009, indicating ripe conditions for earning speculative profits based on rising land values alone (Figure 16). Due to an 18 month lag period between actual market activity and the release of assessed values based on that activity, assessed values actually peak the year after the collapse of housing values in Phoenix and nationwide. Average assessed values fall distinctly in the

years following the economic crash, but they do not fall back to previous levels and they fall much more slowly than their initial rise (Figure 16).

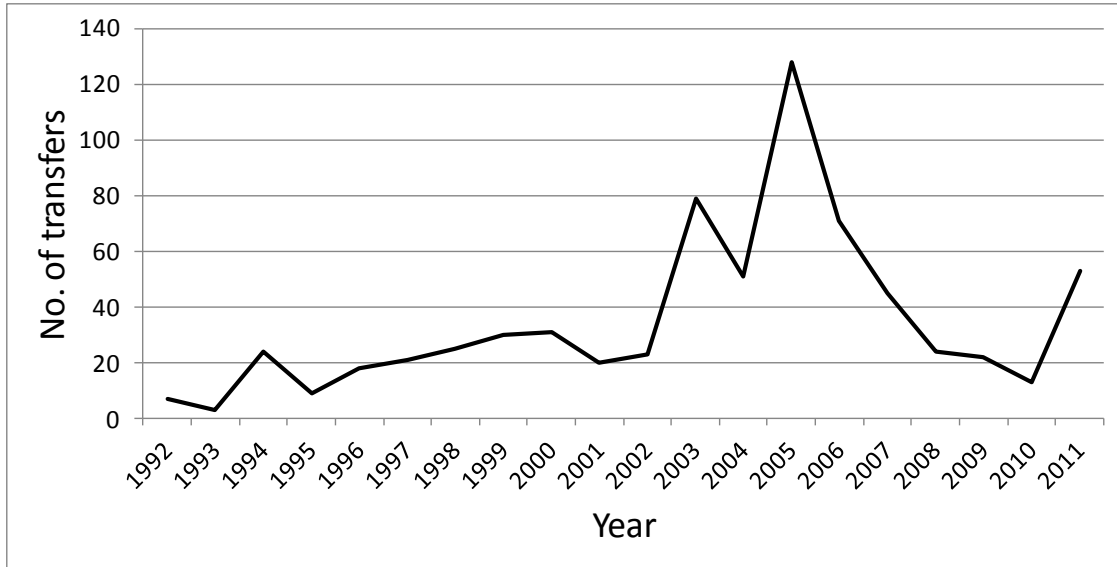


Figure 15. Yearly ownership transfers of vacant and surface parking case study parcels, 1992-2011

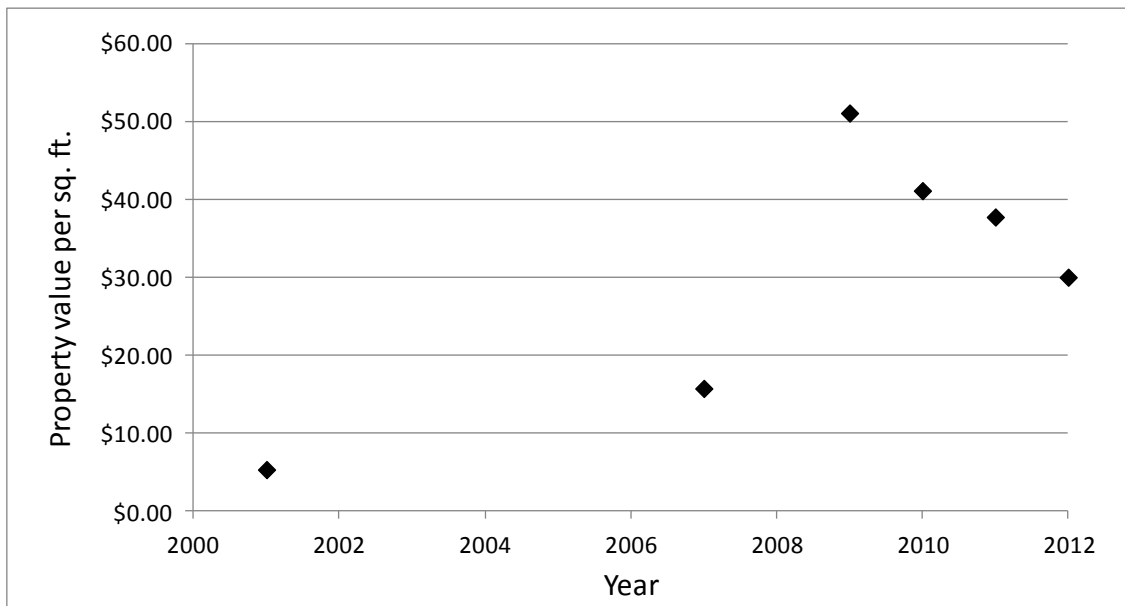


Figure 16. Average assessed land values per sq. ft. of vacant and surface parking case study parcels, 2001-2012

Speculative ownership strategies for vacant case study properties were studied in more detail by focusing on the eight properties with the highest number of ownership transfers, for which data was available (lettered properties in Figure 13). Ownership and sales data was compiled from numerous sources, including assessor's office and recorder's office data, as well as Arizona Corporation Commission records and privately owned sales affidavit data. Property sale prices were converted to price per square foot, and in situations where property sales included additional properties not included in the case study, prices were prorated based on the proportion of relevant square footage purchased. These prorated prices were based on proportion alone, without factoring in other locational details that might affect sale prices, such as lot position, land quality, and size of owner's holdings; few property sales needed this type of prorated calculation, however, and the ones that did included very similar properties from the immediate district, mitigating sharp differences in valuation. Gross profits obtained from speculative buying and selling of properties were determined simply by the difference in sale prices, and do not factor in investor overhead costs, property tax payments, interest payments, or increased value added through municipal rezoning or the assembly of parcels into larger, more proportionately valuable properties. Buyer locations approximated by addresses were determined through numerous data sources, and were derived from as many sources as were available, including corporate records and the personal information listed for officers, directors, managers, and members of companies owning land. When property is owned by an incorporated entity, location information is included for the highest order parent company of that corporate property owner, based on data availability. Locations were determined by address and separated into categories indicating in-city ownership,

state-based ownership, and foreign ownership in Tables 4 and 5; locations in Table 6 only focus on out-of-state ownership, separated into mixed local/non-local ownership (indicating ownership traced both to the State of Arizona and outside the state) and wholly foreign, non-local ownership (indicating ownership traced only to addresses outside of Arizona). Finally, the land use present during each ownership transfer is based on historical aerial imagery from Google Earth (see Table 1).

All eight speculation case study properties show some degree of speculative profit-taking in the study period, especially between 2003 and 2007, when property owners bought and sold properties multiple times at profit without significantly improving the land (Tables 4 and 5; Appendix Tables A-F). Tables 4 and 5 display two of the clearest examples of rapid speculative activity. For both properties B and H, the property was bought and sold numerous times in the span of a few years, and the price per square foot doubled or more in each transaction despite both properties remaining vacant over the past 15-20 years. Gross profit-taking totaling well over \$1 million occurred with both properties, with profits tending to multiply significantly by the third sale during the boom period. In both cases, ownership was mixed between in-city, in-state, and out-of-state ownership, but a very significant amount of non-local ownership was involved in regard to profit-taking. Over all eight properties, however, the majority of ownership was based either wholly or partially in-state (Tables 4 and 5; Appendix Tables A-F). Table 6 presents a summary of local ownership and profit-taking across all eight properties. A total of over \$26 million in profits were received from buying and selling mostly vacant land during the study period. Of these profits, 46% were received by ownership with mixed in-state/out-of-state ownership, while 13% went to fully out-of-

state owners. Thus although a significant amount of profits likely flowed to non-local entities, the results indicate that most profits were received by firms with at least some presence in the state, and a significant proportion of those firms are fully in-state or even in-city.

Table 4. Property sales data for Property B, 1992-2012 (21,000 sq. ft.)

Buyer	Sale Date^a	Price/ft²	Gross Profit	Buyer Loc.^b	Land Use
Murray Reisman	4/3/1992	\$2.75	\$242,250	PHX, AZ	Vacant
Paying Cash for Houses.com LLC	11/18/2003	\$14.29	\$650,000	AZ, NV	Vacant
All State Homes LLC	5/24/2005	\$45.24	\$1,000,000	CA	Vacant
MZ Development LLC	6/8/2006	\$92.86	\$650,000	CA	Vacant
SRM Phoenix LLC	1/18/2007	\$123.81		WA	Vacant

a. Notarized date from recorded document of ownership transfer

b. Location of buyer (PHX, state code) based on address of company and/or directors, officers, managers, members

Table 5. Property sales data for Property H, 1992-2012 (30,615 sq. ft.)

Buyer	Sale Date^a	Price/ft²	Gross Profit	Buyer Loc.^b	Land Use
Richard E./Antoinette D. Taylor	7/16/1996	\$3.22	\$156,500	PHX, AZ	Vacant
Core Builders Inc.	6/27/2002	\$8.33	\$289,000	AZ, IL, MO	Vacant
Lofty Lofts LLC	8/30/2004	\$17.77	\$501,325	NY, NJ, MA	Vacant
Binhnam Tran/Hanh C. Nguyen	3/28/2005	\$34.14	\$979,675	CA	Vacant
McKinley Development LLC	6/1/2006	\$66.14	N/A	IL	Vacant
ATC Realty 16 Inc.	2/28/2011	N/A	N/A	CA, NC	Vacant
PMCM 1 LP	12/19/2011	\$21.23		AZ	Vacant

a. Notarized date from recorded document of ownership transfer

b. Location of buyer (PHX, state code) based on address of company and/or directors, officers, managers, members

Table 6. Summary of property sales case studies

Property	Sq. ft.	Trans.^a	Gross profits	% GP, mix.^b	% GP, for.^c
A	85,932	5	\$4,610,000	59%	0%
B	21,000	5	\$2,542,250	26%	65%
C	26,343	5	\$6,463,800	88%	0%
D	42,029	5	\$4,426,429	20%	0%
E	27,882	5	\$748,558	71%	0%
F	50,490	4	\$1,411,490	66%	0%
G	27,796	4	\$3,875,000	4%	3%
H	30,615	5	\$1,926,500	15%	77%
<i>TOTAL (A-H)</i>	<i>312,087</i>	<i>38</i>	<i>\$26,004,027</i>	<i>46%</i>	<i>13%</i>
AA	245,581	4	\$26,638,764	0%	63%

a. No. of tracked ownership transfers, 1992-2011

b. Percentage of gross profits to firms with mixed in- and out-of-state presence

c. Percentage of gross profits to firms with only out-of-state presence

Discussion and Conclusions

This study reveals that downtown Phoenix's political economy of land development is trending away from the localist ideal of sustainable urban development. Significant increases in non-local ownership over the past 20 years are apparent when looking at all properties in total, and are especially drastic when considering only vacant or surface parking properties. The data indicate that the development trajectories of vacant land are increasingly controlled from outside of the district and city by corporate entities with increasingly large land holdings. The study also reveals that the City of Phoenix has increasingly embraced the contemporary emphasis on municipal entrepreneurialism. A significant rise in city-owned property, even of vacant lots excluded from the city's major economic development initiatives, indicates that

municipal policymakers feel an increasing need for proactive government influence in the local property and development markets.

Findings also indicate that downtown Phoenix's property market has been subject to significant amounts of speculative buying and selling of property where private gains have been realized without local property improvements. As in many periods of the city's history (Chapter 3), land speculation based on the treatment of land as a financial rather than local community asset has been widespread in downtown Phoenix despite the significant potential for profitable infill development presented by the mid-2000s boom economy. The study reveals that two different speculative strategies are common in downtown Phoenix: short-term, rapid-fire speculative sales based on quickly appreciating properties; and long-term speculative strategies in which vacant properties are held for years and decades as a financial asset in trusts. In a few cases, developable land is used productively for commercially available vehicle parking, while in other cases paved lots are closed to commercial activity, essentially "land-banked" as owners wait for profitable resale or development.

The results of this study indicate that the place-political economy relationship in downtown Phoenix has been increasingly obscured over the past 20 years. The relationship between land ownership and occupancy has become more distant, as ownership moves to outlying districts in the metropolitan area or even out-of-state. The relationship between the local community and the capital needed for productive development has become somewhat distant, considering the significant percentage of individual or corporate owners with non-local business ties; most corporate entities, however, continue to maintain a significant presence in the state and metropolitan area. In

general, it is very hard to determine the extent to which the location of property ownership influences the degree of local capital reinvestment and generation. Some businesses may develop and reinvest profits in the downtown district despite non-local origins, while other businesses may maintain an Arizona address without productively reinvesting speculative profits.

Ultimately, there seems to have been a relative lack of infill development in downtown Phoenix in the mid-2000s, despite favorable market conditions in a booming economy, massive public infrastructure development commitments, market interest from developers, and a highly supportive municipal government. The same market conditions that seemingly made infill development an attractive option for private investment also created an incentive structure for property speculation, where property owners could profit from the public buzz surrounding downtown revitalization and land value increases triggered by this buzz and previous land sales. As a result, downtown Phoenix continues to have a significant amount of vacant land presenting numerous sustainability problems. A lack of dense, mixed-use environments translates into inefficient use of energy and transportation, while preventing the socio-economic synergies of vibrant urbanism and close-knit communities. As climate change threatens to make the extreme heat of the desert southwest even more extreme (Ross 2011), the abundance of vacant lots continues to provide no shade to pedestrians, who must also walk further to reach local services typically provided more frequently in a dense built environment. Vacant lots discourage further private investment in the district, especially when their unkempt appearance encourages social delinquency. When ownership entities speculate on vacant land and accumulate profits non-locally, these sustainability problems are multiplied: land is kept

vacant for a longer amount of time while the capitalized value of the land (often indirectly provided by taxpayers through public infrastructure improvements in the district) is removed from the district and not employed to locally generate a sustainable economy.

Although this study has illuminated relatively clear patterns showing an increase in non-local, speculative land ownership, the metrics used to determine localness and local capital reinvestment can be further clarified and augmented. In the next chapter, detailed qualitative research regarding downtown Phoenix's political economy of development is presented to accomplish this clarification.

Chapter 6: The Political Economy of Property Ownership, Development, and Speculation in Phoenix, Arizona

In Chapter 5, a quantitative study of local property ownership and speculative land sales in downtown Phoenix over the past 20 years was conducted to determine whether Phoenix is trending towards or away from the ideal of sustainable development presented in Chapters 1 and 2. An array of quantitative data regarding property ownership, property transactions, and corporate locations was utilized to study all parcels in the downtown Phoenix study area, with a particular focus on vacant properties with high numbers of recent ownership transfers. This research indicates that property ownership has become increasingly non-local over the past ten to twenty years, and has been often subject to rapid speculative sales that significantly affect the properties' market value.

The following chapter buttresses and challenges Chapter 5's quantitative findings by analyzing qualitative interview data addressing property ownership and land speculation trends. Interviews were conducted by the author in the Phoenix metropolitan area with 33 stakeholders directly involved in land and community development in downtown Phoenix in an attempt to corroborate the quantitative data. Interviewed stakeholders included government officials, public-private organization professionals, academic policymakers, land development professionals, zoning attorneys, community activists, and local property owners. Interviews were conducted from August 2012 through December 2012 in a semi-structured format. All interviews were recorded by digital voice recorder and transcribed into notes. Other public meetings and events are

also utilized to better understand the political economic forces impacting sustainable infill development outcomes.

The primary research questions guiding the interview stage are similar to Chapter 5: the intent is to better understand recent trends in local property ownership and land speculation. This chapter goes farther than Chapter 5, however, by specifically attempting to understand how property ownership and sales can affect sustainable development outcomes in downtown Phoenix. Focus is specifically placed on the extent to which the relationship between place-based development and the capital invested in and generated from development is tangibly controlled by the local community. Thus the research questions which frame this qualitative analysis are as follows:

1. To what extent has property in downtown Phoenix over the past 20 years been owned, occupied, and tangibly controlled by local residents?
2. To what extent has vacant property in downtown Phoenix over the past 20 years been subject to speculative sales?
3. How have non-local ownership and land speculation trends affected the ability of local stakeholders (municipal agencies, public-private partnerships, and private local entrepreneurs) to enact sustainable infill development in downtown Phoenix?

Local Property Ownership

In Chapter 5, local property ownership is primarily determined by the home addresses attached to land parcels in property tax assessment rolls. When this data was unavailable, the location of property ownership was also determined by the addresses listed on recorded deed transfer documents (excluding the addresses of attorneys

appointed by property owners to manage property) and by the addresses listed on public filings by corporate entities. Although this data allows a valuable, comprehensive analysis of local property ownership, it does not provide a full picture of where property owners are personally and professionally rooted. It also represents only an indirect measure of where development capital is generated and reinvested.

Interviews revealed the inherent complexity involved with defining and tracking local property ownership in Phoenix. Many development companies or individual investors simultaneously maintain a presence both in Arizona and in other parts of the United States or the world, making it difficult to understand the extent to which these entities are generating and reinvesting financial and social capital in the local economy. For example, the Metrowest development company owns one prominent vacant parcel – at 1st Avenue and Roosevelt – and although two of the company’s partners are based in Chicago, one partner lives in the downtown neighborhood and is engaged with local policymakers and community members.¹⁰⁷ Although Metrowest is classified as a non-local property owner in terms of owner address, the company in practice may adhere to the local sustainable development ideal – especially if the profits gained from renovating a nearby historic building into condominium units are reinvested in the mixed-use, new urbanist style residential project proposed for the vacant property. In another example, the Concord Eastridge group recently developed a mixed-use, mid-rise residential project on Roosevelt catering to the new ASU student population. Although the company’s president is a local product who began her career involved in local community activism, the company has developed projects all over the country and the financing for the local

¹⁰⁷ Silvia Urrutia interview, August 20, 2012; Adaptive Reuse and Infill presentation, Roosevelt Row Community Development Corporation and Reinvent Phoenix, A.E. England building, May 8, 2013.

residential project is from non-local sources.¹⁰⁸ The massive CityScape project in downtown Phoenix, created by RED Development, provides a particularly cloudy example of the difficulties assigning “localness” to property owners and developers. RED Development is a locally based company, headquartered in a new office tower in CityScape and closely connected to civic leaders, but the initial development projects on which the company was built were centered in various, often ex-urban locations around the country. One company representative noted that about seven years ago, RED decided to focus more intently on local projects, and now they have a “sincere commitment to Arizona.”¹⁰⁹ Despite this local orientation, RED’s primary source of funding is derived from Dallas police and fire department pensions, and other investment capital funds have been secured from a large variety of sources that are hard to geographically identify.¹¹⁰

One community activist argued that, regardless of official address, the key metric surrounding local ownership is the degree of community engagement shown by an individual or corporation.¹¹¹ In- or out-of-state ownership is much more important than city-based ownership – since many engaged community members live in Scottsdale or other regional suburbs – and furthermore, in-state owners should be judged less on physical address and more on tangible, local, working relationships.

I think it’s an in-state/out-of-state issue. And it depends on the person in Scottsdale. People that live there, but work here – I consider that part of the community. As opposed to people that work in Chicago but have a home in

¹⁰⁸ Larry Lazarus interview, September 14, 2012; Greg Esser interview, August 27, 2012; Urrutia, interview.

¹⁰⁹ Keith Earnest interview, November 13, 2012.

¹¹⁰ Lazarus, interview; Earnest, interview; Urrutia, interview.

¹¹¹ Esser, interview.

[Scottsdale], and buy land in downtown. So it's still a qualitative difference. You can be in Scottsdale and be part of the community or be in Scottsdale and be an out-of-state person. A lot of those [North Scottsdale] zip code areas are second home areas for people who have homes in Chicago, San Francisco, New York, other cold weather places...Overall there is still not a strong local tradition of [investment in Phoenix], especially those people who have second homes, third homes.¹¹²

Another local observer, however, argued that there is indeed a significant difference between developers who live and work in the Central Phoenix corridor, and those that work outside the zone in peripheral areas like Scottsdale; district-based developers are often more successful and more community-oriented since they are personally invested in the area.¹¹³

Determining local ownership and community engagement is also difficult because, often, non-local investors and developers are linked to locals through interstate networks of social capital. Many development companies represent a *mélange* of local and non-local capital and development expertise, but individual investors are also often drawn to Arizona real estate by local boosterism or word of mouth. “Part of what brings that [out-of-state] money in is local boosterism, too. In the sense of, you know, telling your out-of-state friends or the companies that you work with, ‘buy here, buy here, land is going up like crazy’. So [local and non-local initiatives are] all intertwined I think.”¹¹⁴ Further complicating the issue, many companies – especially large companies involved in

¹¹² Ibid.

¹¹³ Feliciano Vera interview, September 26, 2012.

¹¹⁴ Dan Klocke interview, October 2, 2012.

large projects – maintain multiple addresses around the country and are hard to assign to any local place.¹¹⁵ Ultimately it is very hard to trace capital generation and investment trails, and most money invested in development projects represents a mixture of local and non-local economic growth.

Property Ownership Trends in Downtown Phoenix

Chapter 5 indicates that, in the downtown Phoenix study area from 2001 to 2012, out-of-state property ownership increased from 14.2% to 20.7% and out-of-city property ownership increased from 21.3% to 31.2%. These findings are generally corroborated by interview participants: both developers and local property owners stated that they believe non-local property ownership has increased over the past ten years.¹¹⁶ Nevertheless, the majority of land is still perceived to be controlled by local entities, either by private owners or the City of Phoenix.¹¹⁷

A number of distinct sub-trends seem to have contributed to the rise in non-local ownership and development. Properties that have received GPLET tax incentives (see Chapter 4 for details) – mostly high-rise office buildings, large commercial retail projects, and mid-rise residential buildings – are entirely owned by large, non-local companies (with the exception of RED Development’s CityScape). This outcome is the result of a confluence of factors: extremely large projects often require levels of expertise and capital only available from out-of-state sources; large, non-local investment funds often specifically seek large development projects like high-rise office towers; and the

¹¹⁵ Ibid.

¹¹⁶ Kimber Lanning interview, August 24, 2012; Vera, interview; James Onken interview, November 1, 2012.

¹¹⁷ Jeremy Legg interview, October 5, 2012.

complicated legal structure of GPLET incentives tend to privilege large, national-level firms with deep legal experience.¹¹⁸ Interview participants also emphasized that much of the increase in non-local ownership was driven by the spike in development interest (or speculative practices) in downtown Phoenix in the mid-2000s, following the announcements of educational campuses and light rail construction (see Chapter 4). While some respondents argued that the majority of downtown land speculators in this period were from out-of-state, often bringing with them a speculation-based business model used successfully in other cities,¹¹⁹ other noted that speculators represented a mix of in-state and out-of-state interests.¹²⁰ One developer, lamenting the lack of “real developers” who staked an interest in downtown real estate in the boom period, argued that “fifteen years ago, [land ownership] was local, it was all local. It was pioneers of the local area. And once we started getting some projects off the ground, people from out of state were going to show us how to do it.”¹²¹ In fact, the combination of low central city land costs (relative to other cities), existing zoning entitlements, and a rapidly rising real estate market attracted not only national but international development companies – such as groups from Israel, Australia, and Chile – many of whom were in fact “real developers” who saw tremendous opportunity in the urban Phoenix market.¹²²

Yet even after the 2008 collapse of the development market, both in the Phoenix metropolitan area and nationwide, non-local interest in the city’s real estate market remains strong. When housing prices plunged dramatically, an array of large institutional

¹¹⁸ Steve Betts interview, October 19, 2012; Vera, interview; Grady Gammage Jr. interview, September 17, 2012.

¹¹⁹ Gammage Jr., interview; Ben Patton interview, September 27, 2012.

¹²⁰ JoMarie McDonald interview, October 2, 2012; Klocke, interview.

¹²¹ Eric Brown interview, August 24, 2012.

¹²² Betts, interview; Kurt Schneider interview, September 11, 2012.

investors from all over the country entered Phoenix's housing market, often buying hundreds of houses per day.¹²³ Although this affects the downtown district less than outlying residential areas due to the lack of preserved housing in the district, it may help to explain the shift towards non-local ownership. Thus it seems that any drastic fluctuations in the real estate market over the past fifteen years – whether bullish or bearish – served to attract non-local investors to the quick opportunities present in the Phoenix market.

Local Ownership and Community Development

Property in downtown Phoenix is owned by a mix of local and non-local entities, and thus by definition there are a range of opinions regarding the efficacy of local ownership. Few non-local owners were interviewed in this study, but many would surely support the argument that non-local ownership can be beneficial for local economies because it helps bring in outside sources of investment under a naturally efficient free market structure. For example, the rapid influx of institutional investors into Phoenix's distressed post-2008 housing market has been seen as a crucial stabilizing force, displaying the power of supply and demand in a free market system¹²⁴ (despite the fact that the crisis itself may have been augmented by placeless asset markets divorced from tangible economic value and exchange value-based housing prices). Yet there is a powerful counterargument to this reliance on globalized financial systems emanating from the sustainable development and critical theory literatures (Chapters 1 and 2), and

¹²³ Gammage Jr., interview; Jim Howard interview, September 21, 2012; See Chapters 2 and 3 for a more detailed description of this phenomenon.

¹²⁴ Gammage Jr., interview.

many local property owners, landlords, and developers in downtown Phoenix expressed similar views.

A number of stakeholders specifically argued that non-local property ownership or absentee landlordism negatively affected the local community. When landlords are not present in the local community, they lack the ability or desire to personally check on the status of their properties, often opening the door for property deterioration and social deviancy.¹²⁵ Landlordism that lacks a physical presence in the community, either by working or living in place, can lead to emphasizing financial returns at the expense of community development – a trend that at its extreme leads to property milking and cycles of gentrification (see Chapter 2). Although policymakers were less adamant about local property ownership than community activists, and more willing to accept globalized property markets, they too saw the problems inherent in absentee ownership at the neighborhood scale and saw the promotion of local ownership as the “next step” in the downtown development process.¹²⁶

Yet others emphasized that local property ownership and management is not just good for the community, but can be a critical part of a successful business as well. Two local owners engaged in adaptive reuse projects argued that having a physical presence in the district was important for success because one can avoid the cost of hiring local proxies as property managers (common practice among large, out-of-state property owners) while keeping an eye on district-based trends offering new development opportunities.¹²⁷ To these types of owners, forming and maintaining social capital within

¹²⁵ Beatrice Moore interview, August 15, 2012; Lanning, interview; Vera, interview.

¹²⁶ McDonald, interview (quote); Legg, interview.

¹²⁷ Schneider, interview; Mark Abromovitz interview, October 30, 2012.

the local neighborhood and business community are critical for success. Even large institutional developers like RED have benefitted tremendously from tangible, place-based connections to the local community. RED's local presence allowed them to conduct direct, face-to-face meetings with prospective CityScape office tenants, and personal contact helped secure commitments from some tenants who were more comfortable with such "old school" business arrangements – and, who were "rooting" for the project's success simply because they would personally benefit from a successful retail project in the heart of downtown.¹²⁸ The company has specifically sought to find local businesses to fill retail spaces (although the majority of spaces are occupied by national chains), and they have dedicated staff to help tenants with marketing and sales. Unlike many developers who build and immediately sell a project, RED has maintained ownership of CityScape and actively manages and leases space. RED has also benefitted from their local commitment to Phoenix because it has generated goodwill and social connections among City policymakers, key for securing regulatory approval for special events and new projects.¹²⁹ One RED employee noted that these local commitments represent an extra source of pressure for them and an outlet for customer feedback – with offices in the same building as important corporate tenants, they often physically encounter their customers. Yet this local presence also allows them to build relationships that can be valuable in the future, as satisfied tenants direct future business to the company. Ultimately, the tangible intertwined connections between the company, local tenants, and city government represents a powerful driver of economic development

¹²⁸ Earnest, interview.

¹²⁹ Ibid.

because “everyone knows everyone else is invested” in the overall success of the project.¹³⁰

For a few local property owners, local development and property management represent a sort of ideological commitment, where the business-related benefits of local engagement are indivisible from the visceral, day-to-day personal benefits gained from community development. One influential local zoning attorney built an urban, mixed-use project in downtown Tempe to house his professional office and other tenants, and he stated that he discounts the rent on his retail restaurant space so that the tenant has a better chance of surviving. Unlike a large institutional manager, who might keep the space vacant for months or years waiting for the desired rent, he tries to keep the space rented partly because he physically works in the neighborhood. “To me, as an owner, it is better to get a little bit of money, and contribute something to the life of the street – and [renting to] a mom and pop business is fine even though it struggles...It’s because I’m here all the time. It troubles me to walk by a vacant space in a vibrant urban area...I go to Mill Avenue and I walk around, and it’s depressing because there are so many vacant spaces. I’m conscious of that because I’m here.”¹³¹

A number of local property owners in downtown Phoenix have similarly mixed business and personal interests by supporting arts-based tenants, sometimes at the expense of higher profits.¹³² One local property and business owner, landlord, and small business advocate noted that the gentrification of the Roosevelt Row and Grand Street arts districts during the mid-2000s boom, with corresponding displacement of arts

¹³⁰ Ibid.

¹³¹ Gammage Jr., interview.

¹³² Moore, interview; Lanning, interview.

tenants, was largely stymied because a core of six landowners did not sell out and remained committed to supporting the arts community. “I could have tripled my money without changing zoning, without changing the structure, between 1999 and 2007. Just by putting it back on the market... But I’m not in that business, I’m in the art business, so I kept it.”¹³³ She expressed a deep ideological commitment to supporting arts-based economic development in downtown Phoenix that, while clearly connected to her material business interests, also appeared rooted in a personal desire to see the local arts community succeed.

We all authentically care about our downtown... I mean, I still have a tiny mortgage on a building that is three blocks from ASU. And it enables me to pass that low overhead on to artists of all kinds, in the form of, ‘you want to rent the room for a night?’ Or ‘you want to do a production here?’ I can open my doors, and I’m not so focused on driving revenue because my mortgage is so low... We did concerts there, and I was able to rent out my room for \$160 a night. So if a band is going to have a CD release party, they could invite 120 of their friends at \$10 each, and they pay me \$160 and [they can make money]. So it was an incubator to teach creatives how to run a business. So that’s been my whole role in this context – protect what I’ve got, keep the price down, so it enables young creatives to figure out business and maybe even become mid-career artists... I’m trying to change the culture of a city where most creatives leave, because they can’t make a living here.¹³⁴

¹³³ Lanning, interview.

¹³⁴ Ibid.

She observed that local property ownership is crucial in this context not only as a shield from gentrification, but also because the City Council and other government entities tend to ignore the concerns of tenants but will respond to taxpaying property owners.

Although local property owners professing an ideological commitment to community development still represent outliers in the Phoenix market, they help illuminate a future path towards a more transparent, locally generative economy where mutually beneficial business arrangements can arise from emplaced interests. While business profits will continue to be a necessary condition for viability, these types of owners show that an abstract, exchange value-oriented mentality can be successfully diluted by use value-based commitments to place, community, and cultural production. It is in this context that volatile land prices and the City's GPLET program are so intensely criticized by local property owners. When property owners are already scraping the bottom on profit margins to support small local tenants, tax increases created by GPLET grants or spiking property values can have a profound impact on success. Some observers noted that GPLETs will inevitably force landlords to pass rising costs along to tenants, possibly destabilizing the nascent neobohemian development template in the near future.¹³⁵

Land Speculation

In Chapter 5, case studies of property sales on eight downtown properties indicate that land speculation – defined as buying and selling property to achieve profits based on rising land values, without tangibly improving land – was a common occurrence in

¹³⁵ Schneider, interview; Vera, interview.

downtown Phoenix in the mid-2000s. The following section uses interview data to expand from this small data sample to understand the prevalence of land speculation in the history of downtown, and the impacts of speculation on sustainable infill development outcomes.

A consensus emerged among interview participants that land speculation has indeed been a common occurrence in downtown Phoenix over the past 15 years, especially in the period between 2003 and 2007.¹³⁶ Respondents confirmed the speculative sales patterns documented for some specific properties studied in Chapter 4 (such as Property C¹³⁷ and Property D¹³⁸), and pointed out additional properties where speculation has occurred, such as the old Ramada site (currently slated for the construction of ASU's law school) and numerous properties in the warehouse district.¹³⁹ Not only has such short-term speculation based on numerous rapid transactions occurred, but long-term, "land-banking" style strategies have also been common throughout the district.¹⁴⁰ Two participants neatly divided downtown property buyers into two categories: real developers, with proven track records of building on urban properties; and speculative investors who either seek entitlements and conduct other types of legwork to prepare properties for development by a future buyer, or who simply flip properties based on district-wide property value increases.¹⁴¹ Some individuals, such as an infamous out-of-state entrepreneur named Anthony Olivieri, blurred the lines between

¹³⁶ Jim McPherson interview, August 9, 2012; Klocke, interview; Betts, interview; David Miller interview, October 22, 2012; Abromovitz, interview.

¹³⁷ Lanning, interview.

¹³⁸ Teresa Brice interview, September 21, 2012; Klocke, interview.

¹³⁹ David Krietor interview, October 5, 2012; Klocke, interview.

¹⁴⁰ Howard, interview; Krietor, interview.

¹⁴¹ Gammage Jr., interview; Krietor, interview.

developer and speculator by proposing vague development plans but ultimately flipping or holding properties without developing.¹⁴² Many others attempted a similar strategy, presenting fancy architectural renderings of proposed high-rise buildings to City Council and community members in hopes of enlisting support, but often not intending to develop the properties themselves.¹⁴³ Although speculation was indeed common, some respondents argued that the “window” for profitable land speculation was quite small, generally from 2005-2007; furthermore, many owners who flipped land had truly intended to develop but were enticed to sell by skyrocketing land prices and willing buyers.¹⁴⁴

Interview participants also generally concurred that the array of public redevelopment initiatives proposed between 2002 and 2004 – such as the biomedical campus, ASU downtown campus, and light rail extension (see Chapter 4) – became a primary catalyst for land speculation.¹⁴⁵ Some observers believed that the ASU campus announcement was the biggest factor in generating investor interest, since it promised that over 10,000 new students would be in downtown Phoenix on a daily basis, including some looking to live in downtown.¹⁴⁶ One commentator, writing shortly after the first public meeting convened in early 2004 to discuss downtown’s direction, noted that land prices had already risen twenty percent since the announcement of both the Phoenix Futures project and ASU Downtown and lamented the imminent possibility of “another

¹⁴² Esser, interview; Michael Levine interview, September 11, 2012; Duke Reiter interview, October 1, 2012; Klocke, interview.

¹⁴³ Don Keuth interview, November 29, 2012; Moore, interview.

¹⁴⁴ Brown, interview; Schneider, interview; Lazarus, interview; Onken, interview.

¹⁴⁵ Moore, interview; Steve Weiss interview, August 16, 2012; Richard Stanley interview, September 12, 2012.

¹⁴⁶ Ginger D. Richardson, “ASU’s downtown plans fit with Phoenix’s,” *Arizona Republic*, April 9, 2004; Brice, interview; Howard, interview.

sterile cycle of speculation of the kind that has left the central city with so much overpriced empty land.”¹⁴⁷ Fearing exactly that, ASU and City officials worked closely together in 2004 and 2005 to plan the new campus – including the necessary land assemblies and eminent domain claims – but tried to keep the campus location as secret as possible to avoid opportunistic land speculation.¹⁴⁸ Yet speculators still managed to buy and flip a large number of properties around the district, raising land prices tremendously in the process.¹⁴⁹ One study indicates that speculation based on public infrastructure initiatives may have even predated the arrival of downtown research institutions. Kittrell (2012), studying sales of vacant land surrounding proposed light rail stations, observes that annual sales tripled in the three years following the initial light rail announcement (1998-2000). While this could represent a “three year land assembly phase,” the author also recognizes the possibility of market distorting land speculation (Kittrell 2012). Although speculation may have originated from public investment announcements, it seemed to become an autonomous, self-reinforcing trend in the following years, a positive feedback loop of land sales, rising property values, and irrational exuberance.

Short-term speculative land holding is not the only form of land speculation in downtown Phoenix, however – longer term speculative strategies are also common. Interview respondents confirmed that it is common to see vacant lot owners sit on land for decades as they wait for land prices to rise.¹⁵⁰ Sometimes real estate investment or

¹⁴⁷ Jon Talton, “Fixing downtown potholes...interest piqued,” *Arizona Republic*, May 4, 2004.

¹⁴⁸ Stanley, interview.

¹⁴⁹ Klocke, interview; Nicholas Wood interview, November 12, 2012.

¹⁵⁰ Stacey Champion interview, August 10, 2012; Brown, interview; Vera, interview; Klocke, interview; Earnest, interview; Gammage Jr., interview.

development companies buy land at the height of the market, and after an economic downturn, they end up holding land for many years as they wait to develop or recoup their initial investment – this was common not only after the recent recession, but in other market cycles as well.¹⁵¹ Yet many other long-term speculators are local individuals and families who see vacant, central city land as a financial asset not dissimilar to a long-term bond. “There have been some really long-term local holders. There are people here who have bought land with absolutely no intention of ever developing it, they have ridiculous prices on it, they bought it cheap, they’ve had it for decades, and they will give it to their kids, who will sit on it, and at some point sell it for some really high price.”¹⁵²

Quantitative data regarding historical ownership patterns in downtown Phoenix (reviewed in Chapter 5) confirm that many vacant properties have been owned for decades by the same owner, and in some cases the properties are placed in family trusts. Not only are trusts especially reluctant to sell land for infill development, but sometimes properties are buried in family holdings, and when the original purchaser passes away, the family sometimes does not even realize they own the land.¹⁵³ Yet in other cases, long-term speculators are local individuals highly engaged in a speculation-based business model. One notable speculator, Murray Reisman, has owned a variety of small lots in the downtown district for decades and, in addition to long-term speculation, also rents the lots for billboards and temporary construction storage space.

He buys up key single lots. He’s obviously very, very smart. And he’ll just sit on it. He’ll sit on it, and sit on it, and sit on it. And then eventually somebody *has to*

¹⁵¹ Klocke, interview.

¹⁵² Ibid.

¹⁵³ Esser, interview.

buy that piece, and he'll sell it...you know, in that sense you give the guy credit. Because he's very frugal, obviously, and he's very smart, because he has a system – he buys low, he holds, and sells high. And you know, it's not necessarily helpful for downtown, or for whomever buys it, but it's helpful for Murray. So I give him credit in that sense, but I think it kind of stinks. Historically there's been a lot of that in downtown.¹⁵⁴

Many local observers see long-term land speculation as a serious problem for downtown Phoenix, both for local community members and the development market. Long-term owners often do not engage with other community members or feel any responsibility to improve vacant land.¹⁵⁵ Speculative owners have also been known to leverage their holdings when developers or the City are attempting to assemble land for infill development, often holding out for much higher prices than neighbors received.¹⁵⁶ Often speculative holders have unrealistic market expectations, and they hold land indefinitely while waiting for a financial windfall.¹⁵⁷ This type of market behavior generally tends to make infill development more difficult and more expensive.¹⁵⁸ Since land in downtown Phoenix is relatively cheap and involves relatively low property taxes compared with other major American cities,¹⁵⁹ long-term speculative strategies are more viable in Phoenix than in other places.

Zoning Entitlement-based Land Speculation

¹⁵⁴ Klocke, interview.

¹⁵⁵ Esser, interview.

¹⁵⁶ McDonald, interview.

¹⁵⁷ Gammage Jr., interview; McDonald, interview.

¹⁵⁸ Klocke, interview.

¹⁵⁹ Gammage Jr., interview.

The simplest form of land speculation involves buying and holding land without improvement until it can be sold at a profit, due to district-wide increases in property values. Although this type of speculation has been a relatively common occurrence in downtown Phoenix (see Chapter 5), another type was equally common and exerted a significant impact on the infill development market: speculation based on receiving zoning entitlements or other regulatory changes from government which increase land values. As mentioned above, a variety of individuals and development firms emerged in the mid-2000s to buy downtown properties, seek zoning entitlements allowing high-rise office or residential projects from City Council, and once received, would resell the property to a developer or another land speculator.¹⁶⁰ Although much of the downtown district south of Fillmore and north of the railroad had already been zoned high-rise following the 1979 Downtown Area Redevelopment and Improvement Plan, neighborhoods like the Warehouse district, Evans-Churchill, and Roosevelt South remained zoned for less density or for suburban-style high-rise setbacks.¹⁶¹ In most cases, entitlement-based speculators posed as real developers when seeking regulatory permissions from the Planning Commission and City Council – including presenting commissioned architectural drawings and other plans – even when their business was solely focused on “repositioning” and “promoting” the property to other buyers. One participant noted that a colleague working at an architectural firm in the mid-2000s had mentioned that a large number of clients in that period were focused on this business model, and had contracted with the firm for drawings simply to present at zoning

¹⁶⁰ Urrutia, interview; Howard, interview; Vera, interview; Patton, interview; Abromovitz, interview; Joyce Wright interview, November 12, 2012; Klocke, interview.

¹⁶¹ Brown, interview; Klocke, interview.

entitlement hearings, without any intention of using them in development.¹⁶² An urban planner working for a law firm reported similar instances, specifically recanting his participation in about 60 high-rise zoning entitlement cases in the period; only one or two buildings were ever built, however. He described a veritable “gold rush” of high-rise rezoning attempts, not just in downtown Phoenix but in the core areas of Tempe, Scottsdale, Chandler, and other Valley municipalities as well.¹⁶³

A variety of business models were utilized in the effort to entitle for and build high-rise developments in Phoenix in the mid-2000s; in many cases, experienced development firms bought land outright and sought zoning entitlements for a specific project. Yet in an equal number of cases, speculative project “promoters” served as middlemen between existing land owners and future buyers, oftentimes using little or none of their own money and promoting projects without a clear vision of the ultimate development outcome (other than higher density).¹⁶⁴ In these cases, the speculative development process generally went as follows. A promoter (often from out-of-state) would enter into an option or purchase contract with a land owner allowing the promoter to buy the property in question at a specified price by a specified future date, often a year or two away. Option agreements vary in structure, but tend to involve a fee that is a small fraction of the eventual land price. Once signed, the promoter would use the interim period to seek zoning entitlements for much higher density, usually by presenting contracted architectural drawings in rezoning hearings. In the same period of time, some promoters would also seek acquisition or development money from banks or other private

¹⁶² Vera, interview.

¹⁶³ Patton, interview.

¹⁶⁴ Ibid.

lenders, and they would often seek to line up another buyer for the property. If the rezoning request and effort to find a future buyer were successful, promoters would often execute the option on their original contract and immediately sell the property to the next buyer (sometimes at double or triple the original price) under a “double escrow” arrangement.¹⁶⁵ Thus unlike a land broker, who would be hired by a land owner to market a property to developers, promoters often operate independently from existing land owners as well as future buyers, and sometimes are able to put little personal money at risk. While some maintained a financial interest in the end product through specific contracts, many had no stake or interest in the ultimate development outcome.¹⁶⁶

Interview respondents were split on whether this type of land speculation was beneficial for the infill development market. Proponents argue that promoters serve a valuable function by contributing “sweat equity” to a development project. Assembling land, securing zoning entitlements, and marketing properties to appropriate developers can take a lot of time and legwork, and such work can be especially costly under onerous option contracts or if the associated loans have a high interest rate. Thus in this view, promoters provide a valuable market function in a development market often best served by highly specialized firms working in conjunction.¹⁶⁷ Yet others viewed this type of land speculation as borderline fraudulent, essentially using public land use changes to personally profit without holding a personal stake in development outcomes or

¹⁶⁵ Patton, interview; Betts, interview; Wright, interview; Onken, interview

¹⁶⁶ Patton, interview.

¹⁶⁷ Betts, interview; Wright, interview.

community success.¹⁶⁸ This process was especially suspicious when promoters were from out-of-state.

I think we have, frankly, a reputation of being – you can dupe the system out here. So you can get something rezoned and put it right back on the market, and make a couple million bucks, and have a nice day... There's nothing to stop it. All you have to have is a firm handshake and a cup of coffee, and pretty much our [City government] leadership goes, 'Oh, that's great.' You need to hire an architect to do some silly renderings of something that you never intended to build, and you're in like Flynn... it's low self-esteem at the leadership level. We had a guy that I stopped personally from flipping a parcel on Grand, who didn't even have a website, had never built anything before. He was trying to buy something and get it rezoned for 8 stories in a neighborhood that didn't want 8 stories. I called the councilman at the time, and said, 'do you realize he doesn't even have a website?' And he goes, 'You're kidding me!' I mean, you have a whole staff that's supposed to check on this stuff... that's how [out-of-state speculators] act, it's like, 'if you come out here, there's a bunch of suckers, you can make a fortune.'¹⁶⁹

Entitlement-based project promotion in the mid-2000s was further complicated by the fact that traditional capital lenders are often hesitant to bankroll speculative projects. Development projects often require a "capital stack" of investment money – invested funds gleaned from a variety of lenders, all of whom are positioned in the "stack" based on the order that the lenders receive subsequent returns. Usually lenders that receive

¹⁶⁸ Lanning, interview; Patton, interview.

¹⁶⁹ Lanning, interview.

returns first are large institutional lenders, providing lower rate loans, while those higher in the stack are riskier loans commanding much higher interest rates.¹⁷⁰ As the number of speculative projects increased during the boom, the demand for more risky capital sources increased as well, opening the door for the emergent “hard money” lending market. Hard money lenders were often small private firms or individuals who solicited investment money from wealthy individuals or small investment groups, and then lent the money out at extremely high interest rates, often to real estate projects.¹⁷¹ These types of loans were especially attractive to the large contingent of promoters attempting to avoid investing their own money.¹⁷²

In the mid-2000s, a significant number of promoters used hard money loans to initially acquire land through option arrangements. The most infamous hard money lender active in downtown Phoenix was Mortgages Limited, a small firm that lent money for the acquisition of numerous downtown properties including a block at 3rd St. and Roosevelt (Chapter 5, Property A) and a number of warehouse district properties slated for the Jackson St. entertainment district; the lender also helped finance the aborted renovation of the Hotel Monroe.¹⁷³ In many cases the entities lending to Mortgages Limited (often small individual investors) did not realize that their money was being re-loaned at higher rates, instead assuming that it had been used to invest in hard assets.¹⁷⁴ Lindeman (1976) predicts exactly this kind of investment arrangement at the end of property booms, when novice investors become interested – groups of brokers and sellers

¹⁷⁰ Betts, interview.

¹⁷¹ Betts, interview; Schneider, interview.

¹⁷² Patton, interview.

¹⁷³ Klocke, interview; Schneider, interview.

¹⁷⁴ Betts, interview.

form land speculation partnerships with a variety of small investors, shifting the market from “investment” to “gambling.” “In this manner, Mr. Average joins the game, using his limited resources to buy a small part of a joint undertaking...the participants in these last stages of the market often lack full knowledge of the consequences of their actions and often can be quite careless in their dealings” (Lindeman 1976, 149). Ultimately, the vast majority of Mortgages Limited projects failed and went bankrupt because the firm was essentially conducting a Ponzi scheme – using currently invested money to pay off prior investors and over-lend on projects.¹⁷⁵ Mortgages Limited money was often used to acquire property at the height of downtown’s real estate bubble, and most projects bought at those prices were not realistic for the market. The collapse of Mortgages Limited led its manager, Scott Coles, to commit suicide in 2007.

Ultimately, whether utilizing hard money loans or not, speculative projects involving promoters are hard to reconcile with the ideology of sustainable infill development. Under this vision, transparent and controllable relationships between place, local community stakeholders, land development, and ultimate uses are key to enacting development which accommodates local needs and creates cycles of place-based reinvestment. When project promoters do not have a financial or personal stake in the ultimate outcome of infill development – instead relying solely on an intermediate transaction – financial value will always trump the ultimate use value. This process also leads to promoters seeking maximum density, or the “highest and best use” of a property, instead of devising a project that fits the unique bioregional attributes, neighborhood context, and community needs at a given site. The fact that the vast majority of proposed

¹⁷⁵ Wright, interview.

high-rise projects failed shows that many promoters, especially non-local ones, did not have the personal experience or commitment to fully understand the local market. The difference between brokers and promoters is instructive here because while brokers generally represent a middleman facilitating a specifically defined project, promoters are by definition independent of development and divorced from use-inspired outcomes. One respondent observed that sometimes promoters, upon receiving entitlements that drastically raised land values, would use entitled value as collateral to borrow additional capital for additional land acquisition projects. Describing it as a “shell game,” he noted instances where promoters would repeatedly borrow capital, purchase land, entitle a property, and repeat until they controlled numerous properties without contributing a significant amount of personal capital.¹⁷⁶ This phenomenon, as well as the prevalence of the hard money industry, shows the extent to which financial capital became fully disconnected from the use value of developed land during the boom period. Obscured capital sources, non-local actors, and complicated financial schemes all combined to disrupt emplaced patterns of supply and demand mediated by community needs and local government expertise.

Effect of Land Speculation on Infill Development

Overall, three types of land speculation have been witnessed in downtown Phoenix: short-term land “flipping,” long-term holding, and speculation involved in project promotion. With the exception of long-term speculation, interview participants signaled that speculation can have both beneficial and detrimental effects on the real

¹⁷⁶ Patton, interview.

estate development market. A number of respondents emphasized that land speculation has a positive function largely because it is a natural outgrowth of free markets which tend to promote efficient market outcomes¹⁷⁷; in this view, negative outcomes can be mitigated by the existing democratic structures in place to allow public input on projects or even to alter land use laws. “I don’t think speculation in land is a bad thing...I think it does bring liquidity, it does bring valuation. If land doesn’t change hands fairly frequently, you don’t know what its worth. And the entitlement process does create points of interface between the city and the private market that ought to result in shaping some vision of city growth and development. So I think all of that in general is good.”¹⁷⁸ Thus from this viewpoint, land speculation serves a valuable function because frequent transactions provide critical market feedback that orients both private strategies and public tax assessments – an argument supported in speculation theory literature (Foldvary 1998).

Speculative strategies that involve the work of repositioning properties for future development are greeted even more warmly by industry insiders (as mentioned above). Many firms specialize in both assembling disparate parcels into single developable properties and seeking zoning entitlements, and many participants – even some who are more focused on community than real estate development – recognize the difficulty involved and the importance of this work for enacting dense, mixed-use environments.¹⁷⁹

There are some very small parcels that you really can’t do anything with unless you assemble land. So, I think that there is a value for somebody to put 2 to 3

¹⁷⁷ Howard, interview; Gammage Jr., interview; McDonald, interview.

¹⁷⁸ Gammage Jr., interview.

¹⁷⁹ Urrutia, interview; Esser, interview; Lazarus, interview; Betts, interview.

parcels together, entitle them. You know, go through the whole process and then sell this entitled parcel to somebody else. Because it takes time to assemble land, clean title, and then put it through the whole zoning process and get it ready for development. You know, sometimes it takes several years to do that. You have to have definitely patience, and patient capital to be able to do that. So I think it's a valuable thing to do.¹⁸⁰

To a certain extent, the encouragement of firms specializing in repositioning property stems from the workings of the larger Phoenix development market. For decades, these types of firms have worked on the suburban periphery of the metropolitan area, buying land and repositioning it for low density suburban development. This type of repositioning can involve much more work, since many sites also need utility infrastructure extensions in addition to zoning, but it can also prove to be much more lucrative than infill development due to low initial land costs and economies of scale.¹⁸¹ “The real estate market in Arizona – and this may not hold true post-2008 – but before 2008, the real estate economy was extremely efficient, just when looking at economic theory... Say, in your typical land speculation... there's a farmer, you buy it from the farmer and you rezone it. And you sell it to the next guy and lot split it. And after the lot split it goes to the builders. That land banking process is incredibly efficient. And that process is efficient because 50,000 people were coming a year.”¹⁸² It is thus not surprising that this business orientation has migrated to the central city as interest in infill development rises while the suburban market continues to falter.

¹⁸⁰ Urrutia, interview.

¹⁸¹ Gammage Jr., interview; Wright, interview; Howard, interview.

¹⁸² Howard, interview.

Other industry experts, policymakers and community activists, however, emphasize the negative aspects of speculative activity.¹⁸³ Many speculative promoters who entered the market in the mid-2000s did not fully understand the local market, and by pursuing unrealistic high-rise projects they ended up overzoning properties and preventing infill development.¹⁸⁴ Furthermore, upzoning properties not only increases their value but often affects land values and market activity in the immediate area, sometimes threatening to displace existing residents through gentrification.¹⁸⁵ A prominent city policymaker argued that entitlement-based land speculation hurts development outcomes by encouraging unrealistic market activity. Infill land speculation is fundamentally different from suburban repositioning because infill land does not need utility improvements. He placed the blame primarily on the political structure of municipal government.

I think where the system breaks down is when the city does inappropriate zoning or gives entitlements that don't relate to the marketplace, because the private property owner was able to hire the right zoning attorneys and lobbyists to get the entitlements... So there are two factors in zoning: does this make sense from a city planning perspective, [and] can you get kind of the bureaucrats and planners in city hall to say this is a good idea. And you need the political will and approval to do it. I think there have been just too many cases where the city planner said, 'this is a bad idea,' but you know, the folks that were speculating on the land were able to get the political support... You just don't give the entitlements to the land

¹⁸³ Krietor, interview; Wood, interview; Moore, interview.

¹⁸⁴ Esser, interview.

¹⁸⁵ Moore, interview.

speculator. You know, give the entitlements once the land is controlled by the entity that generates the income from the business that is developing the land.¹⁸⁶

Some development industry observers offer a more nuanced perspective on land speculation, noting both positive and negative aspects. This type of viewpoint often focuses on the extent to which speculative owners, especially entitlement-seeking promoters, are zeroed in on concrete development; if their efforts are conducted while in close contact with an eventual developer, the speculative repositioning process can be positive even when it takes years to complete.¹⁸⁷ One well-known zoning attorney described the balance needed between free market activity and commitment to placemaking.

Speculation is OK because it creates activity. However, the speculation that has occurred over the years in Arizona has been, I think, detrimental. It should be about growing this community in the right way. More important to me is how we sustain our community over a long period of time, and develop it in an appropriate way, [as opposed to] an individual who walks into town and wants to make a couple bucks. I like to represent people who are for real, who want to develop the community, and want to develop it in a sensitive, appropriate way. I prefer not to represent speculators. If you are speculating, I prefer to represent the last speculator, the last person who is going to increase the value, and knows exactly that he's going to turn it over to a developer. I refuse to represent many

¹⁸⁶ Krietor, interview.

¹⁸⁷ Legg, interview; Lazarus, interview; Betts, interview.

potential clients - we don't do that here. I know there are people in my business who will do that, but not everyone does that here in Phoenix.¹⁸⁸

One argument in this vein equates a developer's local commitment to the amount of capital they personally put at risk. When promoters are able to assemble, entitle, and flip properties only by using other people's money, a disconnect emerges between personal interest and development outcomes that may decrease the chances of successful development.¹⁸⁹ Thus higher availability of lending capital may be paradoxically correlated with decreasing efficacy in local development outcomes.

Perhaps the most fundamental problem surrounding land speculation is that rapid land transactions in a booming market – especially when lending capital is flowing freely from numerous types of lenders – can inflate the value of land to price levels that are unrealistic for experienced local developers. Speculative sales not only increase the value of traded land, but also affect neighboring property values as well. One respondent related how one project promoter assembled a bunch of properties in the warehouse district, buying them at a relatively higher price than existing land values as high density entitlements were received. This land assembly, along with another group assembling nearby land for a proposed entertainment district, ultimately led to rapidly rising land prices all over the warehouse district; land that was originally priced at about \$18 per square foot rose to over \$100 per square foot.¹⁹⁰ Land owners all over the warehouse district noticed these sales and quickly began demanding similar prices for their properties. Yet these owners often did not have real estate development experience, and

¹⁸⁸ Lazarus, interview; Lazarus, personal communication, August 7, 2013.

¹⁸⁹ Betts, interview.

¹⁹⁰ Klocke, interview.

most development industry insiders felt that these prices were highly unrealistic¹⁹¹ – a suspicion borne out when none of the proposed warehouse district developments were even begun, and when all were eventually foreclosed upon.¹⁹² Thus as one developer argued, land speculation can heavily distort property and development markets in certain situations. “It is creating a fictitious market. It has created a fictitious market in land that is fundamentally disconnected from the actual market for real estate assets across all asset classes. So you have land that is trading based on a hypothetical end use that doesn’t exist, that is quote the highest and best use possible for a piece of land, that...in large part does not correlate to the actual demand for said product.”¹⁹³ Thus especially when the City grants zoning entitlements not congruent with actual market demand, “fictitious markets” can emerge that ultimately discourage infill development.¹⁹⁴

Numerous interview participants agreed that multiple types of land speculation have directly contributed to the lack of infill development by raising land costs to unrealistic levels. Sustained land price increases, due to long-term holdouts, rapid speculative sales and successful rezoning requests, often prevented experienced local developers from entering the development market during the mid-2000s boom and generally discouraged infill development.¹⁹⁵ “In terms of redevelopment of the core part of the metropolitan area, in downtown Phoenix, I think land speculation was the number one barrier [to economic development]. If you look at where the city was successful in

¹⁹¹ Levine, interview; Abromovitz, interview.

¹⁹² Klocke, interview.

¹⁹³ Vera, interview.

¹⁹⁴ Patton, interview; Vera, interview.

¹⁹⁵ Brown, interview; Klocke, interview; Betts, interview; Abromovitz, interview; Krietor, interview; Wood, interview; Niels E. Kreipke (presentation, Phoenix Urban Design Week, Phoenix Urban Research Lab, April 13, 2012).

promoting development, in almost all the cases, it was because the city acquired the property and the city facilitated the redevelopment and provided the land and the basis that made economic sense.”¹⁹⁶ Although land speculation did not prevent the rapid development of the ASU Downtown campus, partly because the City was able to threaten to use eminent domain at the time, it did make the process more difficult and more expensive. While the City was able to use land-swaps and other techniques to acquire much of the land without conflict,¹⁹⁷ one or two specific investors purposely bought downtown properties right after the campus announcement so that they could flip it to the city at profit, and they succeeded in doing so.¹⁹⁸ As a result, the amount of money that ASU had received from publicly issued bonds for campus development “skewed more heavily into land” from 2005 to 2007, as speculators drove up prices on specific parcels as well as district-wide.¹⁹⁹

Speculative land sales and increasing property values increasingly operated in a positive feedback loop independent from development market forces in the mid-2000s. This type of self-fulfilling market prophecy – where speculation drove the mid-2000s market bubble, instead of the other way around – is predicted by speculation theory (Lowe 1974; Foldvary 1998) and was observed in macroeconomic studies of American property markets in the period (Bayer et al. 2011; Haughwout et al. 2011). While this phenomenon may benefit promoters and speculators who base their business model on resale, not development, it sometimes affected real development projects as well. In one example, developer Jim Onken was engaged in designing a high-rise, mixed use project

¹⁹⁶ Krietor, interview.

¹⁹⁷ Reiter, interview.

¹⁹⁸ Klocke, interview.

¹⁹⁹ Stanley, interview.

on two acres behind the YMCA on 2nd Avenue (Chapter 5, Property D) after two influential local investors had secured a \$3 million option on the property and had contributed investment capital. Onken assembled a small group of investors and bought the property from the original promoters, receiving title immediately after they exercised the option. The project involved three development phases that would eventually provide a 28 story tower, housing geared towards the downtown workforce, and ground-level retail. Onken worked for a year on the complex project, seeking a federal HUD loan for financing, securing approval from the City’s planning department, and working with an architectural firm on pre-development design – spending a few hundred thousand dollars on these “soft costs” in the process. Yet when the downtown market continued to heat up, the original project promoters began negotiating with a large development company to drastically expand the project. The company was interested in a larger project partly because their sizeable capital assets were derived from large pension funds and the company only received fee income when fund capital was actively invested. The expanded project would include many more residential units, and involved buying the YMCA property and neighboring parking lots, adding to the complexity of the development process since easements needed to be negotiated and the YMCA operations would need to be relocated. Concerned about the expanded scale and complexity of the project, Onken decided to leave the project, ultimately selling the original land he had bought (with other individual investors) back to the newly expanded investment group for over \$10 million.²⁰⁰ Soon afterwards the market began to decline, and the project was put on hold indefinitely; the property continues to be owned by the same large development

²⁰⁰ Onken, interview.

company, but no development has occurred to date. Onken noted that his group would have been able to continue development even with the recession, just at a slower pace, especially since they had received cheap federal financing. He was ultimately happy that he sold out, however, since he was able to achieve a significant profit for himself and his small investment group; although he had contributed a year's worth of work, the sale "put a couple million dollars in their pocket for essentially doing nothing." Thus throughout the project promotion process, the original two investors and Onken's development group all made a significant profit despite the fact that no improvements were ultimately made to the property.²⁰¹ Rapidly spiraling land prices due to district-wide speculation indirectly prevented infill development because they encouraged investors to promote an ever grander project, discarding already completed development work in the process. These prices also encouraged Onken to cash out instead of continue through on the project. One observer noted that even with well-intentioned developers, "the prices got so crazy, you were crazy not to sell... So I don't blame them one bit. Good business deal on their part, bad necessarily for the development, but really good for them... It was just so crazy, so crazy, how this land went up and up and up."²⁰²

Land speculation not only created a "fictitious" property market during the boom years, but its effects have continued to exert influence over markets years after the economic downturn began – a downturn which itself was largely created by speculative markets. Speculative transactions often involve the addition of complicated legal clauses, such as release and subordination clauses in mortgages passed along to buyers. When chains of speculation occur, these legal requirements can cloud title authenticity and

²⁰¹ Ibid.

²⁰² Klocke, interview.

generate other legal headaches for legitimate developers, decreasing the attractiveness of the land for years (Lindeman 1976). Yet more simply, on properties where high-rise zoning entitlements drastically increased property values and sale prices, many owners who bought at unrealistically high prices cannot or will not sell the properties at a price reflecting a more realistic, post-crash land value. In many cases, selling the land now would require a financial loss of 70% or more. While some properties bought at high prices have been foreclosed upon and resold by lenders at a drastically lower price, many other properties continue to sit vacant or underutilized while owners wait for the market to return to pre-2008 levels of valuation and development market demand.²⁰³ The corresponding drop in market transitions can then decrease the liquidity of the market, preventing proper valuation and further depressing market demand (Lowe 1974; Foldvary 1998). Lindeman (1976, 150) theorizes exactly this type of “irrational” response to speculative losses, noting that behavioral factors can interrupt the ideal functioning of urban land markets. “Whereas the logical reaction might be to default or sell at a loss, many investors will not do so. Perhaps they are unwilling to admit they were wrong, perhaps they absolutely will not acknowledge a loss by recognizing it in a transaction. Perhaps they expect that, eventually, prices will rise once again...In any case, so long as they hold on they are, effectively, restricting the supply of land by their ‘illogical’ refusal to sell at more reasonable prices.” Policymakers are effectively hamstrung when attempting to address this issue, especially because Proposition 207 prohibits municipal governments from downzoning properties and reducing their value (see Chapter 4). So how long will vacant property owners wait for market conditions to revive? If owners

²⁰³ Urrutia, interview; Brown, interview; Lazarus, interview; Klocke, interview; Abromovitz, interview; Reiter, interview.

continue to hold properties five years after the crash, it is likely that they have the financial strength to hold them indefinitely. One developer noted that “if you’ve waited this long, for five years, what’s another five years? You have to think it’s going to get better.”²⁰⁴

One notable example of this phenomenon has been occurring at the intersection of Central Avenue and McDowell Road, where large properties on the northwest and southeast corners were slated for high-rise development by large development companies during the mid-2000s but have remained vacant (or surface parking) for many years.²⁰⁵ The northwest corner parcel (Chapter 5, Property AA; see Appendix Table G) has remained partly or wholly vacant for almost 30 years (fully vacant after the Mountain Bell building was demolished), and during the mid-2000s the property was subject to a number of speculative sales. The current owner is a large international development firm that intended to build up to 500 ft. towers on the site – a proposal so divorced from market demand that it was described as “just insane” by one observer – and all indications point to a situation where the owner continues to sit on the land indefinitely into the future.²⁰⁶ These situations are especially lamentable since many properties stuck in this type of purchase price purgatory are located in prime urban locations ideal for infill development (for example, Property AA is located directly between downtown and midtown, next to a light rail station and a major bus line, and across the street from a major art museum).

²⁰⁴ Brown, interview.

²⁰⁵ Schneider, interview; Klocke, interview.

²⁰⁶ Klocke, interview.

[Properties] will sit there with an entitlement that would allow a 20 story building, or a 30 story building, and that expectation is so lucrative and so attractive that a lot of owners will sit waiting for another cycle, and in the meantime have a surface parking lot. And it would be far better, from an urban perspective, if you'd get a 3-4 story building that would be there for 30 years, and knock it down and then build a tall building when there's demand. But at least there would be something in the interim... Sometimes that happens but a lot of people will just sit and wait.²⁰⁷

Overall, the widespread existence of land speculation poses a challenge for commonplace understandings of property markets. The commonly cited argument that “if land doesn't change hands fairly frequently, you don't know what it's worth”²⁰⁸ may hold true early in a speculative cycle; yet, when these same speculative spirals lead to economic crashes after which a large proportion of properties are held long-term by one owner, speculation can ultimately prevent property liquidity and obscure market information for years or even decades. Furthermore, speculative activity spurs many observers to differentiate between the “fictitious markets” intertwined with wildly inflated land prices and the “real” markets defined by individual perceptions of market demand. Yet where is the dividing line between real and fictitious markets? When do sale prices stop functioning as the prime watermark of land valuation and market activity and become a market driver unto themselves?

Historic Business Cycles

²⁰⁷ Gammage Jr., interview.

²⁰⁸ Ibid.

Most available evidence indicates that land speculation surrounding infill development was not confined to the mid-2000s real estate boom, but has been a significant factor in Phoenix's property markets for a long time. As far back as the mid-1950s, developers (or possibly promoters) were engaged in land assembly and entitlement seeking along the Central Avenue corridor for high-rise office projects (City of Phoenix HPO and RA 2010), and speculation was most likely a political economic factor.²⁰⁹ Although it is difficult to discern how much pure or entitlement-based land speculation occurred at this time, it seems to have been a concern for policymakers as they prepared for the future of downtown and Central Avenue in the late 1960s; the Central Phoenix Plan suggests quick action on downtown redevelopment since "as time passes, speculation introduces imbalance in land prices, and negotiations among land owners may become impossible" (City of Phoenix 1969, 44). A 1991 plan for redeveloping downtown Phoenix echoes similar concerns and suggests that land speculation has hurt the chances for redevelopment.

The private sector is not providing housing now because there is a gap between the prices at which property owners wish to sell their land (\$10-\$25 per square foot) and the price that builders can afford to pay to build market rate housing (\$3.30-\$7.35 per square foot). This gap exists because either land is zoned to allow some types of commercial uses or owners purchased the land expecting to obtain commercial zoning. To eliminate this gap, the public sector may need to provide some financial incentives, and private owners will need to bring their

²⁰⁹ Jon Talton, personal communication, May 24, 2013.

expectations more in line with market realities for developing any kind of residential use. (City of Phoenix 1991, 70)

Gober (2006) indicates that land speculation in central Phoenix was indeed common in the 1980s, attributing the city's late 1980s recession mainly to speculative property sales that dovetailed with the failure of the city's main Savings and Loan institutions. She notes a "widespread perception that land speculators were profiting excessively from right-of-way acquisition" related to planned highway construction in the late 1980s (Gober 2005, 152). Other published works on the Savings and Loan crisis confirm that speculative land transactions were often at the heart of the banking frauds which affected most Sunbelt cities, which required a massive public bailout by the federal government (Calavita et al. 1997; Black 2005; see Chapter 2).

Interviewees broadly confirmed that a previous "cycle" of land speculation occurred in downtown and central Phoenix during the 1980s. Prices for prominent infill properties along Central Avenue rose tremendously during the early 1980s and then collapsed in conjunction with the S&L industry. In many cases, vacant properties remained for many years after (and some continue to exist) due to pre-crash demolition in preparation for development and because owners held onto land post-crash due to unrealistically high land costs.²¹⁰ Entitlement-based land speculation was common in this period, as the City freely granted zoning requests to promoters presenting high-rise projects along the Central Avenue corridor.²¹¹ Yet some interview participants argued that more purely speculative buying and selling occurred during the 1980s speculative

²¹⁰ Brown, interview; Lazarus, interview; McDonald, interview; Klocke, interview; Krietor, interview; Keuth, interview; Talton, pers. comm.

²¹¹ Lazarus, interview; Krietor, interview.

boom than in the mid-2000s; many land buyers in the 1980s were solely focused on flipping properties, and promoted projects tended to be even more disconnected from possible developers or end uses.²¹² As in the mid-2000s, the 1980s infill property market attracted an influx of national or international capital investors,²¹³ and despite widespread talk of high density development, very little was actually developed in the period due to the “false valuation of property” created by speculative sales.²¹⁴ One respondent observed that speculative cycles have occurred in central Phoenix every 10-15 years, and noted that these cycles occurred in downtown even when the market was not considered economically viable.²¹⁵

While many properties today may remain in their current state indefinitely due to high initial land costs, many others have been foreclosed upon and their market value reset to current market prices. Some observers note that this is a natural progression in a new market cycle, and as previous equity is washed out of more overpriced properties, infill development will pick up accordingly.²¹⁶ Yet while land buying in downtown Phoenix has definitely increased recently, there are concerns that a new cycle of speculation has just begun. One observer described this eminent possibility as “depressing,” saying “it amazes me that, you know, you can have this kind of speculation again. But people have very short memories.”²¹⁷ Fully prepared for another typical business cycle, one developer emphasized that there are many infill development possibilities right now due to lower expectations, cheaper capital sources, and reduced

²¹² Schneider, interview; Lazarus, interview.

²¹³ Lazarus, interview; Klocke, interview.

²¹⁴ Brown, interview; Lazarus, interview (quote).

²¹⁵ Klocke, interview.

²¹⁶ Betts, interview; Legg, interview.

²¹⁷ Klocke, interview.

land prices. In his opinion, there is a “two year window of opportunity” for successful infill development projects before interest rates and land prices rise to the point where development is unrealistic.²¹⁸

There is no question that property markets in Arizona – as in other states – have operated in boom-and-bust business cycles over the past 30 years, and likely have undergone cycles for decades before that as well. Yet among many development industry insiders, a certain deterministic streak emerges where the lines are blurred between acknowledging a historical fact and imbuing business cycles with an aura of inevitability. A variety of interview participants casually referenced historic business cycles almost as an independent, self-propelling force and seemed to assume that such cycles were inevitable in the future.²¹⁹ While many respondents are simply being realistic about Phoenix’s past and present, there is a danger here that “capital” and “business cycles” can become reified as things and assume a certain agency divorced from the collection of individual investment decisions which drive markets. Viewing business cycles as a deterministic future outcome in Phoenix’s property markets can clearly encourage market actors to make decisions that become self-fulfilling prophecies. Do real estate development conditions naturally lead to small temporal “windows” for profitable and place-appropriate infill development? Or are there ways that public policy can adjust the rules of the game so that cycles are not inevitable and so windows can be opened more permanently?

The popular narrative describing historic business cycles is indivisible from processes of land speculation, where over time the exchange values of properties

²¹⁸ Onken, interview.

²¹⁹ Brown, interview; Howard, interview; McDonald, interview; Betts, interview; Klocke, interview.

repeatedly diverge from underlying use values in a socio-geographical context. Perhaps the biggest issue with land speculation – as it affects the normative vision of sustainable infill development – is the way in which land speculation becomes a positive feedback loop of market behavior fundamentally unhinged from use-inspired property values. When a critical mass of market actors expect local property to appreciate due to local conditions or public investments, these actors can drive the very appreciation they anticipate through property transactions. The more profitable sales that occur, the more property values rise (due to land appraisal policies primarily based on sale value), and the more that market actors feel vindicated in their predictions and are encouraged to continue participating in a speculative upward spiral. A fundamental danger emerges when each individual market actor sees the reified “market” as going up, and responds accordingly – such individualistic decisions are the core of microeconomic theory – without recognizing that markets are simply the sum of those individual decisions. One zoning attorney notes that “developers don’t want speculation. The guys who buy property and turn it, do like speculation.”²²⁰ In essence, speculators love speculators because everyone is profiting from the irrational behavior of others. A shared expectation of future business cycles provides a certain predictability that investors thrive upon, regardless of whether these cycles can efficiently provide socially useful infill development. In some cases, successful land development can be detrimental to speculative business models because it can provide a tangible benchmark of real property value, bursting bubbles in the process. Ultimately, speculation is enabled whenever markets are volatile – in either direction – since market movement allows both “shorting”

²²⁰ Lazarus, interview.

as well as appreciation-based profiteering. Speculative feedback loops thrive upon a purely exchange-based notion of land value – even more so when promoters use entitlement-based values to borrow money for additional land acquisition projects²²¹ - and these loops tend to disadvantage generative infill development predicated upon slow growth, tangible land uses and local economic development.

When property prices escalate rapidly through land speculation, the effects can cascade through a political economy. Sale prices directly impact assessed property values, which in turn determine property tax bills. In downtown Phoenix, land speculation essentially doubled the property taxes for commercial land owners every year for a number of years in the mid-2000s.²²² Considering the tight profit margins for landlords attempting to support arts district tenants, this trend in turn threatens the rent levels necessary for culture-based economic development. “People that stayed in the market...that built, or invested, or improved properties are the ones that suffered,”²²³ as opposed to speculators whose profits were indirectly linked to such increases. Furthermore, after the property bubble burst, assessed property values did not decline nearly as fast as they had risen. For one, the tax assessment system includes a lag of about 18 months since the assessor’s office bases current assessments on two year old data; as a result, assessed values still climbed in 2010 despite the major national financial crisis that began in 2008. Another issue is that the liquidity of land dried up almost overnight following the crisis, as owners stopped selling, and assessors were left with

²²¹ Patton, interview.

²²² Esser, interview; Schneider, interview; see Chapter 5, Figure 5.8.

²²³ Ibid.

little data based on which current assessments could be changed.²²⁴ One zoning attorney lamented the problems inherent in Arizona's appraisal and assessment system. "It is a real dilemma. It would be far better to find some sort of stable assessment system that didn't change ever year."²²⁵

Yet this type of political economy thrives on instability, and inherently privileges property traders and promoters over place-based entrepreneurs, landowners, producers, and residents. It has produced an amazingly paradoxical situation where local land owners committed to community development attempt to prevent their own land values from rising. When local activists Beatrice Moore and Kimber Lanning vehemently opposed a project promoter seeking entitlements for high-rise density in a City zoning hearing, the promoter argued that his request would surely raise the value of Moore's land and thus could not be rationally opposed.²²⁶ Yet if the proposed development did raise the value of Moore's warehouse spaces, largely rented to artists, it could have triggered a chain reaction that would have raised property taxes and priced artists out of the neighborhood – the very bohemian presence that attracted development in the first place. Thus Moore actually sees locally undesirable land uses as critical for community stability and sustainable economic development (Ross 2011). One developer argues that real estate is not just about profit-seeking, but about defining value itself while defending against alternative notions of value; income, in this sense, is only one source of value.²²⁷ Community activists like Moore are constantly engaged in a struggle to redefine property value from its exchange value-based origins in Phoenix history. Ultimately, exchange

²²⁴ Klocke, interview.

²²⁵ Gammage Jr., interview.

²²⁶ Weiss, interview.

²²⁷ Vera, Phoenix Urban Design Week.

value-based property values can only be realized when selling a property. How does a local landowner committed to long-term ownership and community development benefit from rising monetary property values?

Publicly Financed Land Speculation

From a standard business perspective informed by “natural” business cycles, land speculation can indeed hamper market initiatives to enact infill development at the cycle’s high points. Yet the market will eventually correct overinflated land values over time, resetting land values to their true market worth as land owners go into bankruptcy and foreclosure or sell at a loss. While this is largely true with many properties, this free market mentality encounters problems when considering the prevalence of active government entrepreneurialism in the neoliberal era. When government is closely engaged in land development efforts in conjunction with larger economic development goals, land speculation can often represent a drain on public coffers; a few examples from the land assembly process for the ASU Downtown campus indicate that speculators can indeed extract higher prices when policymakers are publicly committed to specific, place-based development goals. This is especially common now that Proposition 207 has sharply limited the ability of governments to use eminent domain.

One particular parcel in downtown Phoenix represents an especially intriguing case study of publicly financed land speculation. The parcel is an entire city block southeast of the corner of Washington Street and Central Avenue, at the very heart of the original townsite of Phoenix; it has been known as “Block 22” (as named in the original plat map for the townsite) and the “Ambasz parcel” (named after its former owner), and it

is currently the site of the eastern half of the CityScape mixed-use development complex. As the commercial heart of Phoenix, the block was home to a variety of commercial buildings up through the 1970s, including the old four-story headquarters of First National Bank.²²⁸ Although the property ownership history for this block is hard to track down, at some point between 1980 and 1992 the entire block was assembled under one owner, razed, and paved for surface parking.²²⁹ By the end of the 1980s, Southwest Savings and Loan Association owned the block, with the last sale price estimated at over \$100 per square foot.²³⁰

Southwest Savings and Loan was at the epicenter of the S&L scandal in Arizona in the 1980s. Many of the bank's practices closely resembled the types of fraud perpetuated by other S&Ls, including the use of false appraisals to inflate property values and the granting of insider loans to generate fee income for bank directors (Calavita et al. 1997; Black 2005). Most published investigations of the institution have focused on Southwest's role in the Camelback Esplanade project, a large commercial and residential complex on the East Camelback corridor proposed by Southwest director and future Arizona governor Fife Symington. The project, which was delayed numerous times in the mid-1980s, received a \$30 million investment from Southwest (while the bank received a 50% interest in return) and a \$432 investment from Symington (which somehow entitled

²²⁸ Talton, pers. comm.

²²⁹ Aerial photographs from the Maricopa County Flood Control District (accessed May 30, 2013, <http://www.fcd.maricopa.gov/gis/maps.aspx>) indicate that the block was built up through the end of the 1970s, although a parking lot existed on the northeast corner since at least 1949.

²³⁰ Krietor, interview.

him to a 19% return as well as 5% of all development costs).²³¹ One article observed that such dealings went beyond speculative and irresponsible business practices to constitute outright fraud.

Aside from the lopsided commitments of money involved, several things were wrong with this transaction. According to Senate and FDIC documents, the Southwest investment was made before the property was appraised but while Symington was a Southwest director, both violations of federal regulations – and likely grounds for a liability suit if losses occurred, which they did... But although Camelback Esplanade was going nowhere, the development fees were piling up. According to Southwest's own figures, the budget for consultants rose 436 percent, from \$620,000 to \$3.3 million, and the overall budget quadrupled... [while] construction, in the overheated Phoenix real estate market, had yet to begin. Symington, steadily raking in his 5 percent fee, eventually pocketed more than \$8 million, according to internal RTC estimates.²³²

Evidence suggests that Southwest utilized questionable property appraisals to inflate the value of their land holdings, possibly so that employees could receive fee income from an escalating series of transactions. After a new president was appointed in 1982, the thrift began making a series of questionable, high-risk loans; a confidential memo written by a Federal Deposit Insurance Corporation (FDIC) investigator in 1989 recommended examining all of Southwest's appraisal practices after 1982.²³³ One anecdote indicates the

²³¹ L. J. Davis and Richard L. Fricker, Jan. 1, 1992. "The governor, the billionaire and the crater called Southwest Savings," *Institutional Investor* 26 (1): 11-13; Terry Greene, "The loan wolf," *Phoenix New Times*, October 9, 1991.

²³² Davis and Fricker 1992, 12.

²³³ Greene, Oct. 9, 1991.

extent to which Southwest may have relied on appraisal-based fraud. “Marc Barlow, Southwest's chief appraiser, wrote that he was pressured by various executives to write "unsafe and unsound" appraisals. Some executives wanted to use these appraisals to extend shaky loans, examiners have said. Others wanted to use them to sell properties for more than they were worth, according to Barlow's memos.”²³⁴

Southwest was seized by the federal government in February 1989 after the institution's financial failure – and others like it – threatened the viability of the federal deposit insurance extended to S&Ls. It is estimated that Southwest lost \$52 million on the Esplanade project, and when the institution was sold by the government's Resolution Trust Corporation (RTC) in 1991, losses to federal taxpayers were estimated at \$914 million. Yet FDIC investigators charged with examining the institution's collapse were prevented from investigating for years, largely because one of Southwest's directors was a regional FDIC director and refused to release important documents.²³⁵ While the federal government sued Southwest's directors in 1991 to recover a small fraction of these losses, and while Symington was ultimately convicted of fraud, forced to step down as governor, and sent to prison,²³⁶ the obstructionism of Southwest's employees and the shaky bookkeeping behind their real estate projects have left little data that can be used to further investigate the company's fraudulent and speculative activities. As a result, it is difficult to determine whether similarly fraudulent appraisals, loans, and other techniques were responsible for inflating the value of Block 22. Although there is no available data

²³⁴ Ibid.

²³⁵ Davis and Fricker 1992; Greene, Oct. 9, 1991.

²³⁶ Todd S. Purdum, “Arizona governor convicted of fraud and will step down,” *New York Times*, September 4, 1997; Todd S. Purdum, “Ex-governor is sentenced to 2 ½ years,” *New York Times*, February 3, 1998.

to confirm this hypothesis, it is at least eminently possible that Block 22 was subject to these same practices. If so, it would provide an initial case where irresponsible speculative transactions predicated upon the manipulation of exchange value were ultimately subsidized by public money.

After seizing Southwest and its real estate holdings, the RTC sold Block 22 in 1991 to New York architect Emilio Ambasz (head of Block 22 Inc.) for \$31 per square foot (see Table 7 for a transaction history). At the same time, a downtown planning document specifically cited the redevelopment of Block 22 as a major goal of the plan's first phase (City of Phoenix 1991). After the block remained surface parking for many years, Ambasz began proposing a building for the site to prospective developers and lenders featuring a strange, Grand Canyon-inspired design. When nobody was willing to use his design, largely due to the impracticality of construction and internal configuration, Ambasz continued to hold the property and refused to sell to an array of willing buyers.²³⁷ One interview participant noted that Ambasz was subsequently rude to a variety of local policymakers and business leaders, and almost seemed to sit on the property out of spite that the local development community did not finance his design.²³⁸ Ultimately, RED Development (Woodbury Lakes LLC) reached a sale agreement with Ambasz in 2006 as part of the CityScape development effort;²³⁹ Ambasz received a speculative profit of \$268 per square foot, almost ten times the original price of the property.

²³⁷ Craig Harris, "Downtown: The CityScape plan," *Arizona Republic*, February 12, 2006; Reiter, interview; Wood, interview; Earnest, interview.

²³⁸ Reiter, interview.

²³⁹ Harris, Feb. 12, 2006.

Table 7. Property sales data for Block 22, 1992-2012

Buyer	Sale Date^a	Price/ft²	Gross Profit	Buyer Loc.^b	Land Use
Southwest Savings and Loan Assoc. FA	N/A	N/A	N/A	N/A	N/A
Resolution Trust Corporation	N/A	N/A	N/A	N/A	N/A
Block 22 Inc.	12/20/1991	\$31.21	\$0	NY	Parking
Block 22 and Associates LC	12/29/1995	\$31.21	\$24,300,000	NY	Parking
Woodbury Lakes LLC	3/3/2006	\$268.21		AZ, DE, MO	Parking
City of Phoenix	10/24/2007				Parking

a. Notarized date from recorded document of ownership transfer

b. Location of buyer (PHX, state code) based on address of company and/or directors, officers, managers, members

While RED bought the property on the private market from Ambasz, the deal was heavily subsidized by the City of Phoenix because local policymakers were desperate to encourage mixed use development in the heart of downtown. The City had agreed to extend GPLET incentives to RED before the deal was completed, and as part of a complicated development agreement, the City subsidized the land acquisition costs partly by constructing a subterranean parking garage on the larger site.²⁴⁰

So now you have a real developer coming in with this real project, with real equity and lenders that will finance it. And something that will create some density downtown...well those guys had to pay \$300 per foot for that block. But who really paid it is the City of Phoenix, because RED Development came in and said, we're going to deliver this project that you really want. We can only make it work if we're paying what the real market value is for the land...So the city ends up putting tens of millions of dollars of incentives into the deal. And that never went into RED's pocket, that went into Emilio Ambasz's pocket. Because he speculated and won...[It is] the classic example of what happens [with land speculation]...because when you do finally get a real developer, and the land

²⁴⁰ Wood, interview; Earnest, interview; Reiter, interview.

speculator knows that and knows the city is driven to make that project work, the issue is how much can you really extract from the city through the developer. And that's just tough.²⁴¹

Other interviewees agreed that, despite Ambasz's architectural credentials, he operated as a pure land speculator and that it was ultimately detrimental for downtown development outcomes.²⁴² "He picked what has to be seen as the number one or two block in the state of Arizona, that was available to buy. On Central and Washington to Jefferson, in the largest city [in the state]. That block shouldn't have been – if you want to think about land speculation – such a pawn."²⁴³ Ultimately, Block 22 became a speculative pawn, perhaps for the second time in twenty years. The City used tens of millions of dollars in taxpayer money to subsidize land values inflated by the speculative political economy in downtown at the time and further propelled by the owner's ability to leverage against a clear municipal priority. If land speculation did indeed occur on the same property in the 1980s (again, a possible but unsubstantiated claim), it would imply that Block 22 has witnessed two different instances where public money has been utilized to subsidize speculative profit-taking.

In summary, land speculation has been a pervasive feature in central Phoenix's political economy for decades, introducing drastic volatility in land prices and generally discouraging tangible land development both in the mid-1980s and the mid-2000s. Three types of land speculation have been common: long-term land-banking, rapid speculative sales, and entitlement-based speculation predicated upon project promotion. When

²⁴¹ Krietor, interview.

²⁴² Reiter, interview; McDonald, interview; Wood, interview.

²⁴³ Reiter, interview.

speculative capital floods a land market, it produces a self-fulfilling prophecy of rising land values and a fictitious real estate market divorced from the contextual use value of land. Reifying capital patterns and business cycles further contributes to these self-propelling positive feedback loops. By only aiding property owners attempting to sell, rising speculative land prices tend to further entrench and naturalize inefficient business cycles while disincentivizing long-term local property ownership motivated by community improvement and generative economic development. In some cases, the inefficiencies of a speculation-based economy translate into higher costs for taxpayers as well.

Local Capital Investment

In the last two sections, the ways in which non-local property ownership and land speculation affect infill development outcomes have been analyzed in the context of central Phoenix. These analyses have been framed by the concept of sustainable infill development, which has been associated with tangible, locally rooted connections between people, places and the political economy organizing place-based economic development (Chapter 1). A specific focus on the relationship between place and capital investment helps to merge property ownership and speculation findings in an effort to determine sustainable infill development strategies going forward. When local places exert a degree of control over capital investment and reinvestment, generative economic development can become a self-sustaining process of growth that endows a local economy with heightened resilience and complexity.

A number of local policymakers and development industry professionals do not share the generative development vision and do not believe that the source of capital investment matters when promoting downtown revitalization. In this perspective, the ends always trump the means.

At the end of the day, when [a successful developer] came to us with the project...I don't really care where their lender was. In fact, they gave me a bunch of documents showing it, [but] I couldn't tell you because I wasn't looking at that. What I cared about is, you are building density, this is urban, good architecture, you have ground floor retail, you have street trees shading the sidewalk. I didn't really care if their loan was from San Francisco, or New York, or Tucson, or whatever. You're building in our community, you're paying sales tax in our community, you're creating jobs in our community. I'll take anybody's money to do those things.²⁴⁴

Other interviewees agreed that a developer's location or capital sources are not important so long as they are a legitimate, well-intentioned developer – instead of a speculator – who has a significant financial stake in the success of a project.²⁴⁵ Those who maintain this stance are clearly correct that, often, infill development outcomes depend upon the professional expertise of a developer more than their location; most of the high-rises in downtown Phoenix, after all, were built by out-of-state companies.²⁴⁶ Yet this represents a short-term viewpoint on infill development processes, one informed by daily professional engagement with the development industry. Sustainable development theory

²⁴⁴ Legg, interview.

²⁴⁵ Krietor, interview; Wood, interview; Howard, interview.

²⁴⁶ Keuth, interview.

challenges stakeholders to take a longer-term perspective on the development industry, arguing that the means are as important as the ends when building political economies that are sustainable over decades and centuries. Some current out-of-state developers do have a profoundly beneficial impact on downtown urbanism, but they are bound up with a larger political economy that also encourages land speculation and destructive business cycles. The slow growth implied by a shift to sustainable development may be unacceptable to many stakeholders invested in immediate outcomes, but it may also be essential to long-term economic resilience.

In this concluding section, the ways in which development driven by small, local capital investments is advantaged in Phoenix's current political economy are reviewed and compared to the ways in which large institutional capital development is privileged. There are four ways that smaller, emplaced capital investment is economically advantaged: the economic efficiencies associated with local knowledge and political connections, closely related to emplaced social capital; the "discounting" effect of local individuals that operate under an ideological commitment to place and community; an array of federal and local government regulations favoring small local entrepreneurs; and the generative economic development argument promoting positive feedback loops of capital investment and reinvestment. On the other hand, there are eight ways in which large institutional capital funds and developers are privileged in the current market: economies of scale in private development; the ongoing flight of large institutional capital holdings to the "secondary circuit" of real estate investment; the impacts of the 2008 Recession on the small lending market; a lack of local infill development expertise; the legal and financial structure of GPLET incentives; lax municipal policymaking

regarding zoning entitlements; the privileging of sales taxes over property taxes in the state; and excessive vacant land prices overinflated by an influx of non-local speculative capital during the real estate boom. Each of these factors will be briefly reviewed to better understand the balance of factors impacting the future of infill development in Central Phoenix.

Factors Privileging Local Capital Investment and Tangible Development Relationships

1. *Emplaced knowledge and networks.* Land development is an inherently localized process where developers must master the workings of local submarkets, secure neighborhood support for projects, and ultimately receive regulatory approvals from municipal government bodies. Although smaller, locally generated capital holdings are not necessarily linked to emplaced knowledge and networks – since large developers can also be place-based – oftentimes smaller local entrepreneurs are better able to amass an array of political connections and an understanding of local markets born from experience. One interviewee observed that most successful developers either possess local knowledge or hire attorneys and lobbyists with those attributes. “The reason you hire them is that the local people know what’s important to the local community. They either know the elected officials, or they know what this neighborhood really cares about...So yeah, it is that local knowledge that you’re paying for when you hire somebody local. In my experience, that is important. It’s not necessarily a requirement, but just anecdotally, the people who are more successful have more local ties.”²⁴⁷

²⁴⁷ Legg, interview.

One developer emphasized the importance of close communication, very early in the development process, with neighborhood residents, the city councilman, and public-private organizations like DPP when pursuing projects in downtown Phoenix. Describing local relationship building as “part of the dance step” of development, he observed that many developers fail because they assume that they have an unmitigated right to develop if they own land and contribute capital to a project.²⁴⁸ Another developer focused on the complexity of the downtown development market, noting that emplaced market knowledge derived from living, working, and socializing in the community can be critical for success. Larger institutional developers and brokers who rely on quantitative data rather than qualitative, place-based experience often fail to provide the types of spaces most in demand, like adaptive reuse buildings. When developers work closely with both property owners and tenants, they can often find mutually beneficial arrangements not realizable through one-size-fits-all corporate strategies.

There is a pretty big disconnect between the understanding of those [local downtown] property owners and a lot of the guys who populate the 20th St. and Camelback corridor, or Scottsdale... a lot of those guys, they don't understand the market dynamics. They tend to default to the going mathematics within the market, and they kind of operate in a herd mentality, rather than really wanting to just get out, roll their sleeves up, and figure out what a property is really worth... You have to realize that they're basically data analysts. They are quantitative data analysts, and so, they aren't going to go out and do the due diligence that is necessary to figure out whether that data is supported by the

²⁴⁸ Onken, interview.

facts. They rely on third parties to collate and aggregate the data, and you know, and that's what's going to drive their decisions. A lot of these guys just live in a bubble [and]...don't come down here, a lot of them don't understand the market. It's a herd mentality... And, so, they go down the path of least resistance. It's complicated to work [in downtown].²⁴⁹

Thus although it is by no means a requirement for accomplishing infill development, there are many ways that developers who maintain tangible connections to local markets, policymakers, and residents are privileged in development market competition.

2. *Ideological commitment to place and entrepreneurial "discounting"*. When local property owners and developers forgo immediate financial profits for longer-term goals connected to their personal goals, it can create a chain reaction where benefits are passed down to tenants and local development outcomes. In the "local property ownership" section above, a couple of situations are reviewed where local actors professed an ideological commitment to place-based development and related instances where the use value of development outweighed financial returns. For example, a core of artist-owners maintained property ownership and arts-based advocacy during the mid-2000s boom – even when they could have sold at significant profit – because they felt a personal commitment to the arts scene. In a few cases, these owners actively subsidized rents to support arts-based tenants. In these situations (admittedly outliers in the larger Phoenix market), ideologically committed owners are essentially discounting their own returns for the sake of a larger goal, passing that value down to the larger community. While they might ultimately benefit personally from this type of investment, it shows a

²⁴⁹ Vera, interview.

long-term strategy separate from the balance sheets and investor returns which guide the decision making of large institutional actors.

One developer who built middle-income, urbanist housing in downtown was inspired partly by serving as chairman of the municipal design review commission, through which he was more intimately exposed to downtown's development needs. Although he pursued a relatively profitable development, his design was motivated partly because it was the "right thing to do" for downtown; as such, he also including owner occupancy restrictions so as to limit housing owners to those with a vested interest in downtown.²⁵⁰ A zoning attorney observed that, in many situations, there isn't enough local capital formation to spur development, and thus often non-locals are needed. Yet when locals are able to develop, they might "feel more loyalty to doing something cool or interesting, than someone who just views real estate as an investment." "In an ideal world," he argued, "I think we would have more local people owning more places in downtown Phoenix, and thinking more about the future of the community and being really invested in it."²⁵¹ These types of actions can become the nuclei of generative, self-sustaining, place-based economic development that ultimately transcends the limited economic impacts of one-off corporate investments.

3. *Regulatory policies oriented towards generative, place-based development.* In Chapter 4, a number of government programs created to support community-based infill development are reviewed; these include the federal New Markets tax credit program and an array of municipal regulatory reforms supporting arts-based land uses, adaptive reuse, and temporary use of vacant land. A number of other programs support a more generative

²⁵⁰ Brown, interview.

²⁵¹ Gammage Jr., interview.

paradigm of economic development as well. The federal Community Reinvestment Act has created an incentive structure where financial institutions that grant loans to underserved neighborhoods or institutions receive favorable tax credits or regulatory approvals.²⁵² The City of Phoenix has also begun the process of reconfiguring the City's procurement policy to better advantage local suppliers when granting municipal contracts.²⁵³ Thus there is an existing and growing array of government programs actively oriented towards advantaging locally generative economic development strategies; although many come into conflict with government initiatives privileging large institutional economic strategies, they represent a beginning of an alternative perspective on economic development.

4. *Positive feedback loops of local development and reinvestment.* In the previous three factors, locally generated capital is not necessarily needed for success; for example, a developer can be successfully locally embedded while utilizing distant sources of capital. Yet when all of these factors come together in development strategies that specifically utilize local capital generation and reinvestment, it represents a powerful model of development promising to be more resilient than the boom-and-bust cycles driven by international finance markets.

Although they still represent outliers in a city heavily influenced by corporate chains and out-of-state investment, a number of local developers have demonstrated how positive feedback loops of locally embedded development and reinvestment can be established in downtown Phoenix. Michael Levine, a well-known local property owner and developer who specializes in renovating warehouses into arts and office spaces, first

²⁵² Allen Carlson interview, November 8, 2012.

²⁵³ Legg, interview.

began his local development career in the early 2000s. He started by purchasing a parking lot just south of the railroad tracks for about \$15 per square foot. Without improving the lot significantly, he sold it a few years later to a prospective developer for \$65 per square foot, in a sale he admits was pure land speculation; the buyer subsequently was granted zoning entitlements for a 250 foot building but, as in many other similar situations, nothing was ever built. Levine then reinvested these speculative profits in the purchase of a nearby warehouse, kickstarting a renovation business where he personally works to revamp buildings for adaptive reuse. Levine now has renovated or owns numerous buildings in the neighborhood, and has become a local community mainstay and outspoken advocate on arts, development, and taxation issues.²⁵⁴

Mark Abromovitz, another local developer with a business model similar to Levine's, demonstrates the potential behind locally generated development. Abromovitz was born and raised in Phoenix, attended ASU, and started a development career in downtown Phoenix inspired by his family; his grandfather owned a downtown warehouse and he and his father renovated it into an adapted restaurant space. Abromovitz initially started his downtown development career by assembling small parcels into larger ones and reselling at profit, using carryback financing²⁵⁵ with parcel owners so that he could start his career with only a small amount of capital. To date he has completed numerous development projects in the warehouse district – both adaptive reuse renovation and new, “ground-up” construction – and is currently working to renovate a historic warehouse on Grand Avenue near 7th Avenue into office space for small creative firms. Abromovitz

²⁵⁴ Levine, interview.

²⁵⁵ Carryback financing describes a sale arrangement where a property buyer pays only a fraction of the purchase price up front, and pays the rest over time at interest. It can be conceptualized either as financing provided by the property seller or as a payment plan.

noted that his local business model is specifically predicated upon reinvesting development profits in the local district and is closely intertwined with the larger success of downtown revitalization.

I mean, we re-invest in downtown. That's what we do...I mean, we don't fix and flip, we're long term owners, so we have a vested interest in the area... And you notice things, you notice off-site improvements, you want pedestrian friendly walkways. There are a lot of things that you look at as a long-term owner because you want to see the area grow and prosper...That's why speculation to a person like myself is such a problem, because it prohibits you from going and doing more projects, which obviously quits stimulating the local economy, and now you have to look at other areas [to develop].²⁵⁶

Although entrepreneurs like Abromovitz are ultimately dependent on generating profits, and must focus on successful business models, they are not simply motivated by financial value. Abromovitz noted that there is an experiential value to adaptive reuse projects that goes beyond monetary returns.

You know, aside from the profits, there is absolutely an emotional component to this type of development. I don't think you do the kinds of stuff that I'm doing as a sole money maker. You do it because you enjoy the process, and, you know, the historic stuff to me is what is so exciting...the boatwood trusses, the exposed red brick...you see the penetration that used to be a window, used to be a door. So you see the history of Arizona. I understand the challenges that developers face in preserving history while making a profit...there is the business side, but there is

²⁵⁶ Abromovitz, interview.

just as equal, the personal side. It is personal, because as a long term resident here, born and raised, I do have a vested interest in seeing Phoenix maintain its roots.²⁵⁷

This type of development perspective represents the core of sustainable urban development. Initial capital investments are small, generated from the local economy, and when profits are made they are reinvested in place; the development process involves tangible, physical connections between developer and place, where existing buildings are efficiently reused while evoking a unique sense of place derived from bioregional history; and the entire process generates a positive feedback loop of development, reinvestment, and community engagement whereby a developer becomes both economically and personally invested in the larger fate of the downtown streetscape, economy, and community.

Factors Privileging Large, Non-local Development Capital and Obscured Development Relationships

1. *Economies of scale in private development markets.* Development market actors focusing solely on financial returns are naturally incentivized to seek the “highest and best use” of any given property while minimizing their financial risk. In general, over the past 60 years Arizona developers have sought the largest parcels, highest densities, and largest developments possible in order to maximize profits; the “gold rush” of high-rise entitlement seeking for infill development in the last ten years is only the latest example of such economically rational behavior. As a result, there is a tendency for

²⁵⁷ Ibid.

private markets to encourage larger projects needing more varied capital sources, inherently leading to more obscured relationships between capital sources, developers, and place-based outcomes. Furthermore, risk minimization in private firms has also tended to promote an “assembly line” style of land development in Arizona, featuring an array of firms each specializing in one step of the development process (e.g., land assembly, utilities infrastructure, etc.; see Chapter 4). When one firm does not control the entirety of the development process, from place-based conceptualization to the final product, development relationships are inevitably more obscured.

2. *Flight of institutional capital holdings to real estate development.* Critical theorists predict that, as firms engaged in traditional production activities accumulate large capital reserves but see opportunities for profitable reinvestment diminish due to saturated markets and weaker wages, these firms naturally look to real estate investment as a profitable alternative (see Chapter 2); this represents the flight of capital to the “secondary circuit” of investment. The downtown Phoenix development industry has been distinctly affected by this capital flight, especially in the mid-2000s boom as speculative capital financing flooded the market.²⁵⁸ In many situations, capital sources were highly disconnected from the real estate industry and the local community. For example, the successful Portland Place condominiums were financed by a corporate entity owned by Duke Energy; although the project was successful, the investment firm was bankrupted during the financial crisis due to ties with international financial firms. The CityScape project was financed by Dallas police and fire department pensions

²⁵⁸ Betts, interview.

(among other capital sources).²⁵⁹ “These are multi-billion dollar funds, and they may be funds that are part of a bundle of funds that are raised by managers based around the country... These are the capital markets, this is disassociated from the actual business of real estate development...they are trading returns, they’re looking for [returns].”²⁶⁰

Although these institutional funds can be powerful sources of infill development, they are predicated on absolute capital obscurity and usually do not promote locally replicable development results. Projects may be conceived to satisfy the needs of capital investors more than to promote publically-negotiated, contextually desirable land uses.

If you look at a lot of the real estate investment trusts, you look at a lot of real estate private equity funds that are out there, those guys, in order for them to hit their numbers, they are almost always looking at deployment of capital in project sizes, project cost structures that are minimally \$30 million a pop. If you start [looking at] the numbers there, that starts telling you what kind of building format, what kind of land size they need to make those numbers work... That kind of math means that money is only capable of being deployed in a certain select number of projects that are either going to occur on larger assemblages or highly specialized vertical projects. Because \$30 million – that’s a lot of money.²⁶¹

Thus the machinations of national or international capital markets can directly impact municipal-level development outcomes in Phoenix, creating land uses primarily oriented towards international exchange values and only secondarily intended to cohere with local place. The flight of investment capital into real estate has also tended to

²⁵⁹ Vera, interview.

²⁶⁰ Ibid.

²⁶¹ Ibid.

privilege large, suburban master-planned developments since these projects invariably have the size and market predictability that institutional investors seek. Although local markets will obviously guide such development investments, in these situations there is a persistent disconnect between investment motivations and local outcomes. These types of large, non-local real estate investments will continue to be privileged in the nation's current political economy.

3. *Impacts of the 2008 Recession.* The sharp national recession that began in 2008 has been widely attributed to a national housing price bubble combined with unregulated, complicated financial products with unrecognized risks. The crisis was exacerbated partly because financial institutions relaxed lending requirements for many individual home buyers. After the recession hit, many lending institutions quickly tightened lending requirements to the point where it was quite hard for individuals to get mortgages for buying residential or commercial properties. The result has been that large, institutional real estate investors with cash holdings have often been privileged in post-crash markets. Anecdotal evidence suggests that it has been difficult for small, local entrepreneurs to buy commercial properties since the crash, due to a lack of willing lenders.²⁶² Small, local owners have found it more difficult to hold onto property during the recession, while larger property owners with more cash reserves are advantaged; one interviewee attributed the shift towards out-of-state ownership partially to this phenomenon.²⁶³ This combination of political economic factors has made it easier for large, institutional investors to buy massive amounts of Phoenix area housing with cash reserves. Since the recession, a number of large firms have bought tens of thousands of houses in the area,

²⁶² Moore, interview.

²⁶³ Lazarus, interview.

mostly to renovate and rent out to tenants (see Chapter 3), and this has made it more difficult for local individuals to enter the property buying market.²⁶⁴ Thus volatility in the housing market, which enables speculation and helped precipitate the recession in the first place, has also created institutional conditions privileging large, impersonal investment over small, local buyers.

4. *Lack of local infill development expertise.* A number of interview participants argued that the shift towards out-of-state ownership and development in downtown Phoenix could be partially explained by a general lack of infill development experience among local developers.²⁶⁵ Since Arizona's development community has been traditionally focused on master-planned, low density development, the state did not have enough firms to satisfy the emergent demand for infill and this incongruence attracted a variety of large, out-of-state firms specializing in such projects. If the infill development market continues to see increased demand, a critical mass of in-state infill developers may emerge to fill the void; however, without gaining experience in the present, the industry may be stuck in a chicken-and-egg situation.

5. *Legal and financial structure of GPLET incentives.* The municipal level GPLET incentive program, authorized through state law, has been used by the City of Phoenix to encourage infill development in downtown (see Chapter 4). City policymakers often use GPLETs to attract both local and non-local capital investment in development projects, and although the state legislature recently authorized offering GPLETs to small businesses,²⁶⁶ to date only large projects have received these incentives. Even if

²⁶⁴ Carlson, interview; Reagor, Oct. 21, 2012.

²⁶⁵ Betts, interview; Keuth, interview.

²⁶⁶ Champion, interview.

authorized for small local entrepreneurs, however, the use of GPLETs may continue to privilege large development firms over small due to the complicated legal mechanisms involved and the problems associated with attracting private capital to support projects with indirect private ownership.

GPLETs [are] very complicated. The transaction costs are very high, the legal costs are very high, and you have to have enough economic clout to explain to your lender that you're doing a GPLET. Because you're giving away title to the lender's security, you're titling the building to the city. That's not a very popular thing to do with your average local bank. If you're Heinz, or Trammel Crow, and your lender is the California public employee retirement system, you've got 20 lawyers, they've got 20 lawyers, and you can get comfortable with doing a GPLET...My little building, I couldn't even go to the bank that loaned me the money and say, by the way, I'm giving away the title for the building...So what happens is, GPLETs wind up incentivizing big stuff. They end up incentivizing the stuff that needs to be incentivized the least. And that's part of the failure of downtown Phoenix. The older buildings, the mom and pop shops, they don't get the incentives.²⁶⁷

Other interviewees confirmed that the legal and financial costs of GPLETs are often too high for smaller local developers.²⁶⁸ Thus the current policy structure surrounding development incentives in Arizona – including an emphasis on GPLETs given the prohibition of district-based incentives like TIFs (see Chapter 4) – seems to advantage large institutions over small.

²⁶⁷ Gammage Jr., interview.

²⁶⁸ Brice, interview; Legg, interview.

6. *Gullible policymaking when granting valuable zoning entitlements.* As documented in a previous section, land speculation predicated upon receiving valuable, high density zoning entitlements has occurred in Phoenix property markets and has been one factor in the persistence of underdeveloped land in the central city. Speculators are sometimes able to resell properties after receiving new entitlements, essentially profiting off of a regulatory ruling without being invested in the final project outcome. A number of interview participants argued that the City's overly permissive attitude towards granting entitlements was to blame for encouraging such behavior.²⁶⁹

All you have to have is a firm handshake and a cup of coffee, and pretty much our leadership goes, 'Oh, that's great.' You need to hire an architect to do some silly renderings of something that you never intended to build, and you're in like Flynn...it's low self-esteem at the leadership level. We had a guy that I stopped personally from flipping a parcel on Grand, who didn't even have a website, had never built anything before. He was trying to buy something and get it rezoned for 8 stories in a neighborhood that didn't want 8 stories. I called the councilman at the time, and said, 'Do you realize he doesn't even have a website?' And he goes, 'You're kidding me! You're kidding me!' I mean, you have a whole staff that's supposed to check on this stuff...That's how [out-of-state speculators] act, it's like, 'If you come out here, there's a bunch of suckers, you can make a fortune'.²⁷⁰

One local zoning attorney argued that the City needs to develop a more cohesive vision for economic development before it can adequately police zoning requests.

²⁶⁹ Lanning, interview; Brown, interview; Gammage Jr., interview; Krietor, interview.

²⁷⁰ Lanning, interview.

The regulatory side in Phoenix is significantly too ad hoc. We just wait until somebody proposes something and we let them do what they want, but we nibble around the edges...and this is what I do, I represent developers seeking entitlements...It would be better, frankly, to have a more defined set of rules for how you want the city to develop, and be more firm in not changing those rules every time somebody proposes something. But that's hard – it's hard because we don't have a vision of what this place should be like, you know. We're kind of laissez faire, you know, we don't know. It's hard because it's hard to say no to someone that is promising to do something great, even if you know deep down inside that it's very unlikely to happen.²⁷¹

The result of such lax policymaking is that there is only a tenuous connection between the granting of entitlements and final project outcomes; the lack of transparency exhibited by developers in their zoning requests – many of whom are non-local – helps to privilege speculative development strategies divorced from practical land use outcomes.

Furthermore, these types of entitlements encourage high-rise densities that are often accomplished only by non-local capital investors and development firms.

One interviewee blamed the practical split between executive and legislative attempts to encourage infill development as the source of such issues. The City of Phoenix's increasingly hands-on, entrepreneurial, project-specific efforts to encourage development (see Chapter 4) can clash with the often politically motivated entitlement process controlled by City Council members.

²⁷¹ Gammage Jr., interview.

I think where the system breaks down is when the city does inappropriate zoning or gives entitlements that don't relate to the marketplace, because the private property owner was able to hire the right zoning attorneys and lobbyists to get the entitlements...So there are two factors in zoning: does this make sense from a city planning perspective, [and] can you get the bureaucrats and planners in city hall to say this is a good idea. And you need the political will and approval to do it. I think there are just too many cases where the city planner said, 'this is a bad idea,' but you know, the folks that were speculating on the land were able to get the political support.²⁷²

Others compared the City of Phoenix's zoning strategy with the City of Scottsdale's, noting that Scottsdale has been much more restrictive and selective when granting entitlements, and that virtually all of the entitled mid-rise projects have been successful.²⁷³ The two markets are clearly different: there is more inherent infill development demand in upscale Scottsdale, allowing the City's "disciplined" development strategy, while Phoenix has been somewhat forced to grant entitlements in the hopes of creating a market for infill.²⁷⁴ Furthermore, close government supervision of development can raise development costs and delay projects.²⁷⁵ Yet Scottsdale also provides a valuable example of close coordination between city planners, elected officials, developers, and the local community whereby positive development outcomes can be more tangibly controlled by local stakeholders. When cities perform more due diligence on development requests, they can encourage a "rational nexus between [land]

²⁷² Krietor, interview.

²⁷³ Patton, interview; Krietor, interview.

²⁷⁴ Betts, interview; Wood, interview.

²⁷⁵ Betts, interview.

cost, construction cost, [and] market response” while extracting legally negotiated community benefits and ensuring successful, place-appropriate development.²⁷⁶

7. *State emphasis on sales tax over property tax.* Chapter 3 reviews how Arizona municipalities like Phoenix tend to derive the majority of their tax revenue from sales taxes as opposed to property taxes – unlike many other states. This emphasis encourages municipalities to incentivize large commercial development projects that generate sales revenue. As argued in Chapter 3, a sales tax focus essentially privileges quantitative growth and large projects; in contrast, a property tax focus might be more willing to make incremental, fine-grained local improvements that, in sum, can qualitatively raise district-wide property values to generate more revenue. Furthermore, this approach may translate into an increased willingness to use GPLET incentives that disadvantage local property owners in exchange for large projects providing instant sales tax windfalls.²⁷⁷ Thus a sales tax emphasis indirectly advantages large institutional projects over smaller, incremental infill development.

8. *Excessive vacant land prices created by non-local capital mobility.* Earlier in the chapter, it was established that speculative land sales led to drastic increases in the price and valuation of vacant parcels in central Phoenix in the mid-2000s. In many cases, investment capital flooded the Phoenix land market from out-of-state, representing a huge, locally unprecedented increase in the amount of capital available for development activities.²⁷⁸ When the recession hit in 2008, this capital availability quickly receded and prospective development was halted, essentially paralyzing the development market for a

²⁷⁶ Patton, interview.

²⁷⁷ Schneider, interview.

²⁷⁸ Krietor, interview.

number of years. While commercial lending became much more difficult, and some properties “washed out” their equity through foreclosure, many other properties remained at high, pre-Recession prices. This chain of events has thus led to the distinct possibility that, for many vacant properties, prices were pushed to unreasonable levels through abundant non-local capital and now cannot be rectified through the smaller pool of capital available locally. Essentially, once land valuation in Phoenix was affected by volatile international capital markets, it became hard to reassert more localized control of these markets even after the retreat of international capital investment. This lack of local control is further diminished by the passage of Proposition 207, which prohibits municipal downzoning or other actions affecting property values.

Interviewees who responded to this hypothesis were split on its veracity; some believed it might be true and needed to be confirmed by data²⁷⁹ while another felt that local capital was more than enough to raise land prices to unreasonable levels.²⁸⁰ It is ultimately very difficult to measure this sort of phenomenon, especially given the inherent obscurity of capital markets and the inevitability of exceptional cases. Either way, it is clear that the local market volatility at the core of speculative land development and large capital flight can quickly become a force that is hard to address with municipal, regional, or state policy.

In conclusion, there are a variety of public policy and private market factors privileging both small, local entrepreneurialism and large, institutional development strategies. Given the long ideological and cultural history behind land speculation and exchange valuation of urban property in Arizona (Chapter 3), a history which has helped

²⁷⁹ Betts, interview; Vera, interview.

²⁸⁰ Klocke, interview.

inform local and state policymaking related to urban development, it appears that the factors privileging large institutional development generally outweigh those promoting locally generative development. Although a number of recent municipal policies suggest that this balance may be shifting, there is deep path dependence behind “business as usual” which may perpetuate this state of affairs for many years to come. In the following, final chapter, a number of ideological and policy recommendations are suggested for those who believe that a shift from quantitative growth to qualitative development is a necessary transition for a sustainable future in 21st century Phoenix.

Chapter 7: Policy Recommendations for Enacting Sustainable Urban Development in Phoenix

As Phoenix plunges more deeply into the 21st century, a consensus remains among business and policy leaders that renewed growth is crucial for the city's long-term success. The growth paradigm has guided the city's development since its founding, and Phoenix has thrived as this paradigm has shifted from the westward expansion of the American frontier to the multi-directional expansion of the Sunbelt's suburban development frontier (Chapter 3). While obviously these two frontiers represent fundamentally different forms of growth, they share a number of similarities: each took advantage of untapped land and material resources, growing in response to the energy available for utilization; and each involved the dominance of a political economy beholden to the exchange valuation of land and susceptible to land speculation and market volatility.

The ideology of sustainable urban development proposes that the potential for urban infill development – both in terms of real estate development promoting dense, mixed use, pedestrian-oriented environments, and economic development generating urban complexity and cultural production from dense, vibrant urbanism – represents a third type of untapped frontier. At its best, this urban frontier offers the opportunity for self-generating economic development based on the synergies of complex urban economies; unlike the previous two frontiers, gains can be realized from increasing the efficient use of existing infrastructure, resources, vertical airspace, and social capital rather than from the scalar consumption of land resources (Chapter 1). At its worst,

economic development based on urban infill is only realized through processes of gentrification and displacement, where the rent gap and “accumulation by dispossession” becomes the source for realizing future financial gains and economic growth (Chapter 2). Either way, the research presented in previous chapters suggests that the political economy of urban infill development needs to be altered if sustainable urban development outcomes are to be durably achieved in the Phoenix metropolitan area.

Questions remain as to whether a broad consensus will emerge to support a sustainable development transition from quantitative, relatively homogeneous quantitative suburban expansion on the urban fringe to qualitative, complex, generative development in the urban core. There are legitimate arguments for preserving the existing political economic framework surrounding both suburban and infill development.

Although land speculation can produce unproductive distortions in land markets (Chapter 6), the business cycles perpetuated in this process also provide a measure of predictability that is very helpful for risk-averse investors and developers. Even if only small parts of these cycles provide profitable conditions for development, many private entities may prefer this state of affairs over a more unpredictable, historically novel infill development market. Furthermore, it may be impossible to significantly speed the process of infill development, regardless of policy adjustments, if development is an inherently slow process. “Free market” functioning under the current political economic regime may provide as good a chance as any to spur effective infill development, and would provide the added benefit of avoiding wholesale disruption to market actors, policymakers, and residents.

A conception of sustainable urban development informed by critical theory is not motivated by a desire to spur immediate development and generate short-term benefits for stakeholders, however. Sustainability is about adopting a holistic, longer-term, systems-based perspective on problems, rooted in notions of intergenerational well-being and resilient, self-adapting processes (Chapter 1). When focused on local sustainable development, this ideology implies that the political economy of cities may need to be reconfigured at a variety of scales to ensure the ability to generate growth in perpetuity. A number of interview participants argued that Arizona is a state built upon extraction of mineral resources, water and agricultural resources, and most recently, the sunshine and climate that spurs quality of life and the “Arizona lifestyle.”²⁸¹ Any economy built on extraction of resources, an inherently temporary source of development, is presented with a sustainability problem. Yet the response of policymakers in Arizona is often to address the symptoms of larger problems or to enact superficial reforms. Ross (2011) notes that the City of Scottsdale has a long history of supporting green building and other sustainability reforms, but not at the expense of an individualistic culture focused on preserving property values and low density environments while preventing urbanist solutions such as mass transit. Scottsdale’s approach to sustainability adheres to the “checklist approach to sustainability favored by city managers nationwide,” where cities can “cherry-pick from a menu of policy choices” without addressing the deeper cultural, political, and economic issues at the base of many sustainability issues (Ross 2011, 70). The emergent theory of sustainable urban development attempts to transcend shallow prescriptions for the downsides of an extractive regional economy and implement a

²⁸¹ Esser, interview; Vera, interview.

comprehensive set of ideological and policy reforms that privilege an inherently generative and resilient political economy. If this transition can succeed in Arizona, a state “faced with larger environmental challenges, and considerably more resistance from its elected officials than havens of green consciousness” (Ross 2011, 15), it has the potential to serve as a model for cities in other states and countries faced with similarly complex, intertwined sustainability problems. As Ross (2001, 15) notes, “solutions culled from Central Arizona may turn out to be applicable in the megacities of Asia, Africa and the Middle East.”

Sustainability Transitions and Systems Thinking

As an emergent academic discipline, sustainability involves reconciling both objective and subjective perspectives regarding real world processes. Although sustainability is grounded in scientific understanding of coupled human-environment systems, it is unique in that it uses objective facts as a springboard for explicitly presenting and evaluating normative suggestions for improving the resilience, productivity, and social equity of these systems. Normative thought is not normally associated with science, but sustainability practitioners argue that scientific findings are consistently used for normative ends. By making the normative component of societal decision-making explicit and systematic, sustainability science can improve the transparency and efficacy of public policy aimed at solving the complex sustainability problems affecting today’s world.

Sustainability transition methodology is increasingly applied to systematize the process of identifying and solving sustainability problems. Loorbach (2010) identifies

four general steps underlying the transition management approach: strategic (developing a sustainability vision and long-term collective goals in response to local social values); tactical (identifying the structure of regulations and institutional contexts and developing specific goals); operational (proposing short-term, experimental interventions); and reflexive (ongoing monitoring and evaluation of policy changes). Wiek et al. (2012, 12) review a number of projects that engage in transition methodology along these lines and summarize a general methodology that includes “future pathway analysis (advanced scenario and visioning methodology), impact assessment (pre- and post-impact assessment design; advanced systemic sustainability assessment methodology), and policy design (advanced intervention and transition research methodology).” A key component of the transition management approach is the active participation of and co-knowledge creation from local stakeholder groups alongside academic researchers (Wiek et al. 2012). Sustainability transition methodology in fact shares much in common with “charrettes,” a popular tool in urban planning practice over the past 40 years to solicit public input on proposed development projects. Sustainability transition methodology more intensely codifies this approach, specifically including the development of a shared vision in relation to bioregional and local cultural values and a consensus over future development pathways. Once shared visions are established, this methodology essentially involves constructing an objective analysis of current human-environment system functioning and using this understanding to collectively craft policy interventions to solve sustainability problems.

In one study, sustainable urban development in the Phoenix metropolitan area was addressed by a coalition of researchers and local stakeholders (Wiek et al. 2012).

Focusing on local sustainability problems such as “energy-intensive, car dependent urban form,” food deserts, and overdrafting of groundwater supplies, the research team engaged in a complete transition management process including visioning, “historical and current state system analysis,” scenario construction suggesting possible futures, and backcasting to identify relevant intervention points for normative efforts to enact sustainability solutions (Wiek et al. 2012, 16). While the project was generally successful, researchers noted that their efforts were diluted by political debates over proposed solutions. Furthermore, the authors noted that in the range of transition studies reviewed, “more detailed project appraisals would need to scrutinize in how far the projects sufficiently analyzed the interfacing human/social systems—a deficit observable in sustainability science projects that are primarily based on bio-physical systems frameworks” (Wiek et al. 2012, 19). Thus it appears that transition management studies are susceptible to a general concern about sustainable development approaches: that such studies specify ideal social, geographical, or political arrangements without in-depth engagement with the actually existing political economies of contemporary advanced capitalist cities (Chapter 2).

In this chapter, a highly modified version of sustainability transition methodology is applied to the political economy of urban infill development in Phoenix. In Chapters 3 and 4, the historical development of Phoenix’s growth paradigm is elaborated and dissected, providing a window into one of the major cultural values shaping existing socio-economic systems in Phoenix. In Chapters 1 and 2, the growth paradigm is compared to sustainable urban development theory and practice to develop a vision for 21st century land development in Phoenix. All previous chapters are devoted to

elaborating the sustainability problem surrounding the urban growth paradigm in the history and current functioning of American cities like Phoenix; as suggested, economic success predicated upon scalar growth in consumption of land, energy, and resources may be unsustainable in long-term perspective and, if growth is assumed to be necessary for modern societies, this fact implies the need for a shift in the quality of economic growth. Finally, the studies presented in Chapters 3 through 6 provide significant detail on the workings of Phoenix's political economy of development. In sum, previous chapters provide the cultural context, system description, problem identification, and sustainability visioning components crucial for transition methodology. In the following pages, points of intervention in existing systems for practical, systemic change towards sustainability solutions are identified at a variety of scales. This effort diverges significantly from transition methodology, however, in that it is not predicated upon participatory interaction with stakeholders in devising intervention point strategies. This research also does not involve rigorous development of scenarios or use of backcasting techniques. Instead, a combination of quantitative data, academic literature, and interview data was used to independently suggest sustainability interventions. While this approach thus loses the socio-political appeal of publicly negotiated solutions as well as the objective, systematic nature of scenario-based suggestions, it may better represent the actual workings of the local political-economic system. The task for the remainder of this chapter is to further elaborate upon the structure of this system and identify intervention points where adjustments to the ideology, public policy, and business models surrounding real estate development may generate more sustainable outcomes.

The real estate development process, clearly central to urban development outcomes, represents a system unto itself. Standard business models underlying both suburban and urban infill development are relatively straightforward and commonly shared across market participants. Most successful development goes through most or all of the following phases, in this general order: market analysis, site analysis, land acquisition, land entitlement, architectural design and engineering, governance design, permitting, financing, pre-sales, construction, regulatory approval, final marketing, and occupancy (City of Phoenix 1995). While there is room for new business models for and products generated by infill development (reviewed at end), the real estate development process itself is a simple and transparent tool for building urban form. The problems associated with enacting sustainable infill development in Phoenix do not emerge from the assembly line style real estate process per se, but rather derive from the multitude of cultural, political, economic and social contexts that frame, restrict, and direct the nature of real estate development. As previous chapters have attempted to show, the political economic context surrounding urban development is the crucial, systemic variable influencing the success of development projects and larger sustainable development outcomes in metropolitan Phoenix.

Thus, the system to be dissected is the political economy of urban land development in Phoenix. This political economy can be subdivided into seven categories, generally relating to the spatial or governmental scale at which economic ideology and public policy contextually impacts the development process:

1. Historical and cultural context
2. Neoliberal, international capitalist financial markets

3. Federal policy
4. State policy
5. County and regional policy
6. Municipal policy
7. Private development market

In the following sections, each of these contextual scales is reviewed and points of intervention aimed at encouraging sustainable infill development are identified within each context.

The fundamental differences between sustainable development theory and critical theory (Chapter 2) become especially apparent when theorizing systemic interventions. Critical theory explores the fundamental contradictions brooding at the heart of advanced capitalism, and focuses upon capitalism's tendencies towards accumulation, inequality, and instability. Critical theorists emphasize the flaws in the overall structure of current economies and point out how capitalism leads to the production of space often at odds with use-oriented outcomes or the interests of all members of society. As a result, these theorists often see little room for policy compromises at any governmental level, and instead train their attention on revolutionizing the structure of neoliberal capitalism itself. On the other hand, sustainability practitioners are much more willing to accept the fundamental structure of capitalism and seek pragmatic solutions within an existing political economy. Many sustainability theorists implicitly accept a capitalist mindset, and instead of revolution, work to alter the conditions of the game to incrementally increase sustainability. By separating these seven development contexts, the intent is to compare and show the validity of both perspectives.

A final intervention point revolves around the real estate products offered by private, public, and non-profit developers. Currently the infill development market in Phoenix is growing, but it is ultimately characterized by a static set of product offerings, including low-rise, mid-rise, and high-rise apartment or condominium complexes either for rent or for sale on the private market. There are a number of problems associated with broadly enacting these infill development models, including affordability concerns and land market distortions (Chapters 4 and 6). While altering the contexts surrounding development will surely help, another, more proactive intervention point is to pursue new development and land tenure models. The final section reviews a number of ideas in this vein, including private market property covenants, the community land trust model of land tenure, and generative zoning and home building. Each of these ideas can address some of the development problems identified earlier, and can do so in a more entrepreneurial, self-generating way than politically altering public policy or ideology.

Ideological and Policy Contexts Influencing Urban Land Development

1. Historical and Cultural Context

Chapter 3 details how the history of Phoenix has been closely intertwined with a cultural, political, and economic adherence to growth-based economic development. A cultural mentality emerged over many decades, derived from Anglo-American settlement of the western frontier, which privileged free market trading and private property rights. This cultural paradigm emphasized the financial value of land and used rapid population growth and accelerating resource extraction to justify speculative land sales. Even after the American frontier ceased to exist at the end of the 19th century, this mentality has

continued to guide the individual actions of entrepreneurs, firms, and governments in perpetuating the rapid growth of Phoenix and other American cities.

Encouraging sustainable urban development within this deep-seated historical and cultural context thus must transcend the specific, pragmatic policy choices suggested in following sections. The success of policy reforms may in large part depend on altering the broader cultural adherence to the growth paradigm which has contributed to the current policy structure governing infill land development. As Lees et al. (2008, 81) argue, “unfortunately, property rights have become so deeply enmeshed into social and cultural traditions in many capitalist societies – values and symbols of individualism, freedom, and the ‘dream’ of homeownership, for instance – that house price appreciation is now regarded as an individual entitlement or an inalienable right of citizenship. Urban politics have thus become much more vicious in terms of any issue believed to enhance or threaten property values.” Proposition 207, which prohibits Arizona governments from enacting regulations that diminish individual property values, is a good example of how property rights are “deeply enmeshed” in Phoenix’s historical and cultural context. While policy reforms could overturn this legislation to increase the ability of the private market to build denser urban environments, these reforms would not address the broader cultural paradigm related to property rights and exchange value-based conceptions of property. Thus intervention points identified in this context are necessarily indirect, but perhaps essential for a successful long-term sustainability transition.

1.1: Increase the visibility and legitimacy of sustainable urban development theory. Chapter 1 details the emergent theory of sustainable urban development. This theory culls ideas from ecological resilience, social capital, ecological economics,

regional geography, and new urbanist planning to present an alternative path towards economic development that avoids the pitfalls of economies based on quantitative growth. The necessity of a broad shift from quantitative growth to qualitative development lies at the core of this theory. Focus is placed on encouraging local, bioregional sources of economic development, based on creativity, place-based diversity, and cultural production, that are inherently self-generating and resilient.

In Chapter 4, the beginnings of widespread political economic acceptance of this alternative route towards economic success in Phoenix are documented. Although neoliberal attitudes towards property markets are still prevalent, a shift towards government and business acceptance of sustainable urban development in downtown Phoenix seemingly began in 2003 and 2004. A development strategy based on knowledge industries, arts-based cultural production, and new urbanist environments received endorsements from the Mayor's Office, local activists, and other prominent stakeholders at the time, and since then has become a focal point of the following mayoral administration. Thus a broad, indirect point of intervention is simply to further encourage this emergent cultural mentality, from engaging in individual conversations to public statements by elected officials. Considering that the quantitative growth paradigm emerged from decades and even centuries of human coordination, a cultural shift towards sustainable urban development is likely a long-term, multi-generational process.

1.2: Illuminate the flaws in neoliberal ideology. A mentality shift towards sustainable urban development also can be encouraged by further highlighting the theoretical problems associated with neoliberalism. Harvey (2005) comprehensively reviews some of the paradoxes endemic to neoliberal thought: the contradiction between

free market ideology and the close collaboration between business and government at the core of advanced capitalism; the increasing privatization of public utilities despite the impossibility of capitalist competition; and the tendency for truly free markets to promote monopoly power rather than perfect competition. Some of these paradoxes emerge when looking at the history of downtown Phoenix; the widespread reliance on municipal and federal subsidies, as well as municipal entrepreneurialism, to accomplish actual infill development stands at odds with the prevalent free market culture. The more that these paradoxes can be publicly illuminated and debated, the better the chances of a strong public consensus for pursuing an alternative vision of economic development that is more self-generating, resilient, and inclusive.

2. Neoliberal, International Capitalist Financial Markets

The ways in which financial markets invest in and actively guide the direction of property and land development markets is reviewed in Chapter 2. Critical theorists argue that capitalism is structured in an inherently unstable manner, privileging the accumulation of wealth by a few such that lower strata of society are increasingly deprived of the power to spend and invest while capitalists are increasingly hard-pressed to find productive outlets for investment. As a result, capitalists often seek to invest in the “secondary circuit” – land and real estate – when the primary circuit of productive goods can no longer generate desired returns. In turn, when capital floods into real estate markets, speculative bubbles form and space is “produced” to fit the needs of capital markets rather than the needs of local residents or place-based economic development strategies.

Data gleaned from Chapters 5 and 6 indicate that downtown Phoenix has been subject to the flight of international or non-local capital into real estate investment, and that this flight is partly responsible for land speculation and the arrested development of the infill market. Capital markets have sometimes driven the scale and nature of downtown development more than local demand, and firms contributing development capital sometimes have little or no direct experience in real estate development.²⁸² The disconnect between a firm's expertise and source of capital reserves, and the firm's deployment of capital in the real estate market, can lead to negative consequences; in one local example, the holding company behind electricity utility Arizona Public Service diversified into real estate investment during the Savings and Loan crisis of the late 1980's, leading to massive losses. Another, related issue is that many firms funneling money into secondary circuit investments rely upon complicated financial products which obscure the sources and consequences of real estate investments; the 2008 financial crisis was partly blamed on such schemes, but large financial firms largely escaped without any behavioral changes due to public bailouts predicated upon the notion that firms were "too big to fail."

2.1: Wholesale reform or replacement of advanced capitalist system. Many critical theorists argue that modern, advanced capitalism is a totalizing system which is inherently unstable, destructive, and inequitable. Compromise or reform within capitalism thus will not address the foundational problems that naturally arise through capitalist processes, such as accumulation crises. Radical theorists emphasize that capitalism itself needs to be replaced by some sort of socialist system – market-based or

²⁸² Vera, interview.

not – to truly solve modern economic problems. It goes without saying that this proposed intervention is the most unrealistic proposition, given the global dominance of capitalist paradigms and the ways in which capitalism can become socially naturalized in popular culture. Yet it is important to recognize the inherent validity of this perspective, even if one chooses to work within the current system instead of advocating revolution.

Speculation-augmented crises and boom-and-bust cycles like the 2008 recession, historically endemic to capitalism, are easily predicted by critical theory and modern economists have not proposed any comprehensive solutions to capitalism's tendencies towards creative destruction and instability.

2.2: International or national financial regulation targeting capital obscurity. It is argued in Chapters 1 and 2 that sustainable urban development depends on tangible relationships between capital generation and reinvestment, place-based economic production, and the use value of products. Capital relationships become obscure when financial markets apply generic business models to place-based land development, or when financial products become so complicated that all involved lose sight of use-oriented outcomes. A number of radical regulations could help to alleviate these issues. For one, mandating a separation of functions amongst firms – so that one firm must focus on one type of business, without mixing productive functions with massive real estate investments – can help to decrease the connectivity of the larger political economy and increase resilience. Secondly, regulations could help to address the widely noted phenomenon of financial institutions that were “too big to fail” during the 2008 recession and thus received massive public bailouts. Not only were these institutions so large that collapse would reverberate across the international economy, but they were also too

diversified to fail, with tangible connections across many economic sectors. As in the first point, the overall resilience of the economy would be strengthened if there was less brittle connectivity between financial firms and a variety of economic activities with which firms only have indirect expertise. One proposed solution is to re-separate the commercial and investment banking industries, originally accomplished in the midst of the Great Depression by the 1933 Glass-Steagall Act but repealed by a congressional act in 1999. This type of regulatory separation could be applied more generally to large business firms to constrain diversification of capital holdings and business activities. Regulatory actions could also incentivize local banking industries and investment activities where investors are tangibly connected to place-based communities, needs, and outcomes. Thirdly, a major source of capital obscurity is driven by the structure of international stock markets. High volume trading enabled by computer algorithms and speed have allowed new heights of separation between stock holders and the innovative business products which such investments are supposed to encourage. It is common practice for stock traders to exchange stocks on a minute-by-minute or even second-by-second basis, sometimes focusing solely on price trends and possessing little or no knowledge of how a company impacts society more generally.

Not surprisingly, these types of reforms would be extremely difficult to implement. With the lack of international governance possessing real regulatory power, many national-level reforms would fail to rein in international firms. Even if coordinated, national-level reforms were possible, ideological and practical problems abound. Mandating separation of functions or smaller firm sizes would run against the current of neoliberal, free market ideology, which emphasizes the risk-based benefits of

diversification for individual firms. Slowing down economic exchange would surely be viewed as heresy to many powerful actors, and the benefits of such an experiment would not be easily assessed or quickly apparent. Yet, under sustainable urban development theory, these types of reforms may be absolutely crucial for allowing regional economies to control their own economic outcomes in a resilient, sustainable manner.

3. Federal Policy

Federal government policies have directly and indirectly impacted the infill development market in Phoenix and other American cities for decades. Some policies have directly privileged low density, suburban growth, such as highway, oil, and home mortgage subsidies. Federal agency support for master-planned communities, homeowners' associations, and single-family construction – in tandem with institutional capital's flight towards secondary circuit investment – has also effectively privileged suburban growth over infill development (Chapter 3). Additionally, the constitutional structure of the federal government, which emphasizes the interplay between federal and state power, does not provide an explicit source for municipal level power. This power structure essentially detracts from the ability of municipal or regional governments to proactively address development issues (Frug 1999).

On the other hand, a number of federal policies have been directed at supporting below market infill development in American cities for decades, starting with the 1970s Community Development Block Grant program. Programs have included the 1977 Community Reinvestment Act (CRA), Housing and Urban Development's HOPE VI program, and the New Markets tax credit program. These programs often enact a mixture

of incentives and regulations intended to encourage the private development market to provide affordable infill housing and development. For example, the CRA is “designed to encourage financial institutions to identify and help meet the credit needs of the communities they serve. CRA requires institutions to assess the credit needs of the community and to do marketing outreach to low income and minority communities” (City of Phoenix 1995, 16). The CRA provides an array of banking regulations which essentially require that banks must provide local small business and housing loans in exchange for regulatory approval of larger deals.²⁸³ These types of federal programs have established a precedent and provided valuable policy experience for future federal efforts to incentivize sustainable infill development.

3.1: Balance suburban growth and infill development subsidies. A report on infill development conducted by the City of Phoenix Planning Department concluded that the wide availability of cheap suburban housing accessible by an excellent freeway system is a distinct barrier to demand for infill housing (City of Phoenix 1995). Federal government subsidies for home mortgages, highways, and oil have contributed to the market imbalance between suburban and urban infill products. Rebalancing suburban and urban subsidies – perhaps by reducing suburban subsidies while increasing funding for infill development programs – can provide a crucial impetus for sustainable urban development. If some of the money poured into oil industry coffers was redirected into public transit programs as well as expansions of the New Markets and HOPE VI programs, a more equitable playing field (as well as a “freer” market) would be promoted.

²⁸³ Carlson, interview; City of Phoenix 1995.

3.2: Revise federal constitution to provide municipalities with explicit political power. As noted in Chapter 4, municipalities are not provided with explicit political power under the federal constitution. If cities were legally enabled to control land use, taxation, and regulatory policies without interference from state government, they would be empowered to directly enact sustainable urban development policies. This power shift would be especially important for sustainability given the importance of municipal level initiatives for enacting consequential sustainability policies regarding carbon emissions, resource use, and transportation (e.g., the efficacy of the C40 coalition of urban mayors promoting sustainability; see <http://www.c40cities.org>). Of course, this type of sweeping legal redefinition, predicated upon amending the federal constitution, is highly improbable given the massive political and ideological consensus needed and the sacrifice of power required from federal and state governments.

4. State Policy

Policies enacted at the state level can have a profound impact on the development of urban land. Leigh (2003) reviews a variety of ways in which state legislative reforms can impact the development of vacant land: adjustments to eminent domain laws to streamline the process of public acquisition; land banking powers granted to municipal governments to aid acquisition and development; reform of state building codes to aid adaptive reuse; creation of public redevelopment authorities with powers of taxation, bond issuance, and land acquisition; and enablement of business improvement districts and tax increment financing districts. State legislatures often “hold the keys” when municipalities are attempting to implement infill development policies, and state laws can

be crucial in determining development outcomes. Often, the key is to allow flexibility in municipal development approaches, and offer cities a variety of legally enabled paths for development; without a diversity of possible tools, municipal development strategies are often one-sided or unable to address sustainability issues (Bowman and Pagano 2004).

4.1: Enable tax increment financing (TIF) districts. Arizona is the only state that has not legally enabled the creation of TIF districts to spur urban development (although the legislature enabled a TIF-like district for Tucson) (Flatten 2010). As mentioned in Chapter 4, TIF allows special redevelopment districts to issue bonds for district improvements under the notion that, when improvements are complete, property values and tax revenues will rise and the additional revenues can be used to service the original bonds. This redevelopment tool is widely used across the United States, often for infill development or urban revitalization. Community groups have argued that enabling TIFs in downtown Phoenix can help spur the acquisition of land and financing for affordable housing provision and renovation (DVC 2004; DVC 2011).

4.2: Repeal Proposition 207. Proposition 207 is an explicit outgrowth of the historical, cultural tradition emphasizing private property rights and individualism over progressive urban development in the United States. The law constricts the municipal use of eminent domain and prohibits all government actions that may lower private property values. Initially formulated as a one-size-fits-all property rights bill by a national conservative organization, Proposition 207 has exerted few direct impacts over development but has had a profound indirect influence over public efforts to create historic districts or spur infill development (Chapter 4). The elimination of Prop 207 (which must be accomplished by referendum, not by the state legislature, due to a

separate referendum governing repeal of referendums) would not only grant municipal governments more flexibility in the use of land use controls to spur development, but would also represent an ideological victory over an absolutist, anti-urban, individualistic vision of society.

4.3: Revise the Government Property Lease Excise Tax (GPLET) program.

Chapter 4 reviews the arguments for and against the use of GPLET incentives to spur infill development in central municipal districts. There are ways the program can be altered to lessen the tax impacts on local businesses and residents, perhaps by reducing the window of tax exemption or limiting the use of the incentives on a temporal basis; any dilution of the program, however, would surely lessen the effectiveness of the program in the eyes of supportive policymakers. One compromise solution would be to revise the GPLET statutes at the state level so that state funds are used to compensate local tax districts for the loss of GPLET revenue. This revision would cost a significant amount of money, but would halt the process in which large developers are essentially subsidized by existing local businesses, privileging large, sometimes foreign firms over small businesses with deep community roots. Although this would involve another contentious legislative process, there is a precedent for such state subsidies, since up until 2010 the state directly compensated school districts for loss of revenue due to GPLET tax breaks (Flatten 2010).

4.4: Promote the positive benefits of sustainable urban development theory.

Opposition to sustainable development is growing among certain political factions in the United States. One reporter noted that the Tea Party, a conservative, low tax, libertarian-leaning faction of the Republican Party, is increasingly objecting to a perceived threat

from “Agenda 21,” a set of nonbinding resolutions contained in the 1992 United Nations Rio Declaration on Environment and Development, which was endorsed by the United States (Carey 2012). Activists are increasingly promoting an anti-urban, anti-density agenda in response to perceived attacks on suburban form and private property rights; efforts have ranged from local prevention of apartment building development and bicycle lanes to national political pressure placed upon local governments to disassociate from the International Council for Local Environmental Initiatives (ICLEI) (Carey 2012). In 2012, a bill was introduced in the Arizona legislature by a Tea Party legislator that would prohibit the state from supporting any of the 27 principles contained in the Rio Declaration and would prohibit all Arizona municipalities from joining or interacting with ICLEI; the bill justified such prohibitions “since the United Nations has enlisted the support of numerous independent, shadow organizations to surreptitiously implement this agenda around the world” (State of Arizona 2012). The bill was passed by the Arizona Senate, but did not come up for vote in the House, partly because the Arizona Chamber of Commerce lobbied heavily against it under fear that it would drive environmentally conscious businesses away from the state (State of Arizona 2012; Carey 2012). Although this bill did not pass, it provides ample evidence that the ideological battle over sustainable urban development theory is far from over. There are any number of steps that can be taken in the state’s legislative or executive branches that can further legitimize this economic development perspective. The first step is to prevent anti-sustainability bills from coming to fruition, but more generally, the state government can use official statements or policies to endorse the positive benefits of sustainable development in the future.

4.5: State-enabled regulation of property deed transfers. In some states where property speculation has detrimental effects on urban land economies, state laws have been passed to regulate property deed transfers to prevent speculation. For example, Maryland, Minnesota, and South Dakota have passed laws prohibiting transfer of property ownership unless all delinquent taxes and liens have been fully paid (Ergungor and Fitzpatrick 2011). This type of regulation is important in states like Ohio, where an abundance of vacant land in central cities (due to deindustrialization) often attracts property speculators who buy and sell land at profit without paying delinquent taxes or notifying new buyers of such claims; these entrepreneurs can often outbid buyers who factor in such tax costs and who intend to renovate and occupy the building (Ergungor and Fitzpatrick 2011). Yet this type of state regulation may not apply to speculation in the Sunbelt context, where speculative profits are usually predicated upon property value bubbles within a strong growth economy. In this context, one author suggests that speculation can be prevented by implementing a three year ban on house resales, especially in newly constructed subdivisions (Pindell 2005-6). This type of ban would simply prevent quick flipping of properties. “Through the [proposed anti-speculation] ordinance, market-rate property is brought within the ambit of a broader meaning of property still defined by exchange value concepts, but also infused with valuations based on property’s use value and importance as shelter for individuals and families” (Pindell 2005-6, 550). In fact, many private developers already include such restrictions in development covenants to prevent speculation (Rich 2005; Pindell 2005-6); these restrictions are largely immune to legal challenge because they are contained in fully private contracts. This type of law clearly would be contested by property rights

advocates, as it would constrain free property markets, and is not especially realistic at the state level. Yet municipal governments with localized problems with speculation might be willing to implement such restrictions at some level. To lessen the impact on property rights, resale bans could be reduced in duration, or replaced by fees paid for quick property transfers (with fee money funneled towards community development) (Pindell 2005-6). To allow municipalities the flexibility to utilize such tools, state legislation explicitly enabling such activities may be required, especially to head off potential legal challenges (Pindell 2005-6).

A related policy reform to combat short-term land speculation would involve the imposition of a state real estate transfer tax. This type of tax would naturally penalize those who engage in rapid property flipping more than long-term owners. Although a majority of states have passed such a tax, in 2008 Arizona voters soundly approved a voter referendum to amend Arizona's constitution to ban all real estate transfer taxes. Supporters emphasized the possibility of "double taxation" for homeowners, since property owners already pay property taxes, while opponents noted that the ban would greatly restrict the state's taxation policy flexibility despite existing problems with the volatile and regressive nature of sales tax dependence.²⁸⁴ Although amending the state's constitution to impose a new tax would approach the extremes of political difficulty, a real estate transfer tax remains one of the few tools that would directly address land speculation. Generous relief provisions could be included that exempt or reduce the tax on homes that have been owner-occupied for a specified period of time (perhaps more than 2 years), or on homes that have been significantly improved, directing the tax mainly

²⁸⁴ State of Arizona, Proposition 100 (Protect Our Homes Initiative), 2008 (accessed June 26, 2013, http://www.azsos.gov/election/2008/Info/PubPamphlet/Sun_Sounds/english/Prop100.htm); DVC 2011.

towards absentee owners or vacant land speculators. The tax could also be structured to impact corporate ownership transfers more than personal transfers. Tax income could be directed towards urban development goals, such as supplying affordable, transit-oriented infill housing (DVC 2004).

5. County and Regional Policy

In the State of Arizona, county governments are charged with significant power over land use, especially in regard to property valuation and taxation. Valuation assessments and property taxation are key political economic variables at the very core of land speculation and ownership issues, as they provide powerful incentive structures influencing local ownership, gentrification, and speculative profiteering. The County level also exerts influence over infill development outcomes as the scale at which regional transit systems and utilities operate. The structure of transit and utility systems can provide both major incentives for and barriers to infill development. While Maricopa County is endowed with political power over municipalities by the State of Arizona, many other regional entities exert influence as well, such as Valley Metro, the Maricopa Association of Governments (MAG), the Salt River Project (SRP), and Arizona Public Service (APS).

5.1: Restructure the interconnected system of property value assessment, taxation, and sales. When property values are based on a year-by-year assessment of property markets and comparative sales, as in Maricopa County and many other jurisdictions, political economies founded on exchange value are reinforced. Chapter 6 details the ways in which land speculation and overinflated property values are encouraged by property

value assessments based on comparative sales of similar properties. Self-reinforcing cycles of speculative value and “fictitious” property markets are directly generated when land values are determined by recent sales. Not only can such cycles stymie dense land development, but they can also serve to raise taxes on local property owners who provide the nucleus for place-based economic development. A more holistic, use value-inspired approach to determining property values may be necessary to break free from destructive cycles of speculation. Furthermore, it may be useful to consider a complete separation between property value assessments for taxation and for sales purposes.

Arizona’s current system of property value assessment for taxation purposes – a system devised at the state level but enacted by county assessor’s offices – is wholly beholden to economic theory emphasizing exchange value and policy oriented towards a suburban growth economy. As stated in legal documents, “property tax in Arizona is an ad valorem tax based upon “full cash value,” which is the statutory standard for taxation purposes. A.R.S. § 42-11001(5) specifies “full cash value for property tax purposes means the value determined as prescribed by statute. If no statutory method is prescribed, full cash value is synonymous with market value, which means the estimate of value that is derived annually by using standard appraisal methods and techniques.”” (State of Arizona 2001, sec. 1.3). In the late 1970s, a number of state court decisions helped clarify the definition of market value as applied in property assessment. One decision established it as “the highest price estimated in terms of money which property will bring if exposed for sale in an open market,” based on current land use (State of Arizona 2001, sec. 1.4). Another decision mandated that ““current use” could reasonably be interpreted to include holding for investment purposes (speculative purposes),” and that cash sales must be the

specific benchmark for property value assessment by public agencies (State of Arizona 2001, sec. 1.4). Thus property assessment techniques have been clearly based on exchange valuation in an economy often prone to speculative inflation of property values. As a result, the impersonal perspective of economic theory has been specifically applied to provide theoretical justification for valuation decisions. “Utility” and “scarcity” within a framework regulated by “supply and demand” are cited as the main reasons why comparative land sales form the central foundation of public assessment procedures (State of Arizona 2001, sec. 1.5). This type of mentality is fundamentally at odds with a sustainable urban development approach emphasizing practical, community-oriented use value and urbanist development outcomes.

A deeper look at Arizona’s property assessment policy suggests that it has deep roots not only in exchange value-based economic concepts, but has also evolved in tandem with an economy predicated upon rapid, homogeneous suburban growth. Two features of state assessment policy stand out in this regard. First, heavy reliance on the core principle of “substitution” to determine land values indicates a propensity for homogeneity. “A property’s value tends to be set by the cost of acquiring an equally desirable substitute. The price, presence, and availability of other land or alternative investments determine the demand for land, and subsequently the value of the land. The principle of substitution provides that the sale price of a property is indicative of the market value of similar properties. The principle assumes that in a competitive market all properties that are close substitutes have approximately the same value” (State of Arizona 2001, sec. 1.5). The abstract principle of substitution is consistently cited in the application of assessment techniques. The technique of “stratification,” which “clusters

homogeneous properties according to area, zoning, neighborhood, and subarea [into] useful groupings” used to determine comparative value (in conjunction with property sales), is based on the notion of substitution. In turn, the two main, preferred valuation techniques employed – the “comparative unit” and “base lot” methods – use stratified groupings or “benchmark” properties to magnify limited individual sales data into the valuation of blocks and neighborhoods (State of Arizona 2001, sec. 3.3). Although these techniques have provided a stable policy regime governing property assessments, they are fundamentally at odds with sustainable urban development theory because they assume that urban environments do and should perpetuate a limited array of homogeneous building and business types. The focus on emergent novelty as a critical source of economic prosperity over the coming decades – in mixed use building forms, in artistic expression, in economic development, and in urban layout – is not supported by a valuation system which needs substitutable forms to function.

Second, Arizona’s property valuation system inherently privileges rapid suburban growth in a variety of ways. Another core valuation principle, “anticipation,” is based on the assumption that future development is inevitable. “The principle of anticipation states that market value equals the present value of future benefits. Commercial development of land creates income, and the anticipated net incomes capitalized into present value equals the market value. The future rents attributed to vacant residential land capitalized into present value equals the market value of vacant residential land” (State of Arizona 2001, sec. 1.5). This principle is utilized in the “anticipated use or cost of development method” of valuation, employed when there are insufficient land sales in a district to use valuation methods based on substitution for vacant land.

In the absence of sufficient land sales data, the appraiser hypothetically develops the vacant site. This method involves some speculation, and the projected improvements must represent the most probable use of the land. The results of this method, based in the principle of surplus productivity, indicates the price a prudent developer will pay for land in its present undeveloped condition by subtracting the total development costs from the projected sales prices of the lots as if developed. The appraiser calculates the residual land value after the satisfaction of labor, capital, and management. (State of Arizona 2001, sec. 3.9)

Thus this method of valuation is based on assuming that vacant land will be developed in the future along similar lines to previous developments. It involves a complicated set of assumptions while the appraiser plays the role of developer. The influence of Arizona's growth economy is unmistakable here, and in fact, this valuation approach represents one of many assessment policies predicated upon new, auto-dependent suburban growth. An entire chapter of the state's guidebook for land assessment is devoted to the valuation of residential subdivisions at various stages of development, "from raw land to subdivided land to fully developed parcels" (State of Arizona 2001, sec. 4.2). While core economics principles represent the foundation of most valuation policies, a number of specific land uses like golf courses, shopping centers, and master-planned community common areas have special "statutorily mandated valuation methods" negotiated by state lawmakers.

These types of exceptions highlight the ways in which Arizona's public policy has been closely interwoven with the growth paradigm in history. Attempts to shift towards sustainable urban development, although not impossible, must confront not only the specific policies privileging suburban growth but the socio-cultural legacy behind such

policies. It is extremely difficult to alter the political economy of private property when all stakeholders are invested in the current structure. Yet there are still reasons to search for acceptable alternatives to current valuation methods. One report on infill development policy in Phoenix noted that the reliance on comparative sales to determine value can harm infill outcomes because newly constructed houses on infill lots in distressed neighborhoods can be valued at less than the cost of development itself (City of Phoenix 1995). The report suggested that appraisal policies need to become more flexible and adaptable to the infill development context, and that appraisers should consider community and non-profit development efforts when determining neighborhood-based property values.

So what would an alternative, use value-based property valuation system look like? Although there is virtually no precedent for such a system, there are a number of ideas that could be applied. To start, some non-sales property variables already included in appraisal formulas – such as lot size, lot position, zoning classification, and land use – could form the foundation of alternative valuation. Arizona appraisers already analyze a wide variety of data, investigating the “social, legal, governmental, political, physical, environmental, and locational factors that influence land values” in addition to comparative sales (State of Arizona 2001, sec. 2.3). These numbers could be subsequently modified by recognition of a property’s proximity to important public infrastructure, such as city parks, public transit lines, schools, and walkable, service-rich urban neighborhoods. There is an opportunity here to diverge from largely quantitative assessments of value (crafted by one person’s judgment), and focus on qualitative assessments of value derived collectively, in negotiation. Collective value judgments

might emphasize the most popular services and illuminate the “sense of place” felt towards distinctive, valuable locations. While comparative sales can surely indicate that a condominium with close walking distance to Old Town Scottsdale is more valuable than a similar unit in South Scottsdale, the collective common sense of the general public could also make this judgment. In fact, public appraisers are already tasked with using “visual confirmation” and personal judgment to augment property assessments (State of Arizona 2001, sec. 3.9); this process could become more transparent and inclusionary by including the general public in decision-making. What if property valuation, based initially on size, position, and land use variables, was modified by proximity to important services, with service locations explicitly determined in a democratic process? Any scale of democratic forum, from small community charrettes to municipal elections, could be used to solicit public feedback about which places or public services are most important and valuable to them. If valuation was established in a more tangible, durable, community-oriented manner, valuation would not shift drastically on an annual basis and could provide a more stable arena for public and private investments. It would also provide a more stable and predictable basis for property tax assessments, one which better reflected the degree to which an individual’s property value is bolstered by collective social investments. This type of system could also adjust valuation based on other sustainability goals, such as a property’s contribution to or detracting from critical ecosystem services.

The ideal of creating an alternative property valuation and taxation system, based partly upon proximity to collective investments, is closely related to long standing calls for land value-based property taxation systems. Henry George, a famous taxation activist

working at the turn of the 20th century, was the first to popularize the idea of land value taxation (Kunstler 1996; Gihring 1999; Davis 2010). The idea is that property values (and the property taxes based on those values) are determined not only by the value of structural improvements but also by neighboring amenities provided by collective social investments. While taxing property values based on improvements provides a disincentive to improve land for personal and social benefit, taxing land value alone serves to capture the “social increment” of collectively endowed value for the purpose of public reinvestment. George argued passionately that American taxation systems should transition to land value taxation because poverty is caused by “the ownership of land by a small cadre of landowners who are able to capture for themselves the appreciating value of land” (Davis 2010, 5). Under current taxation systems, landowners may be incentivized to speculate and leave land vacant, or construct flimsy, low-density buildings that will not be highly assessed (Kunstler 1996; Gihring 1999; Vincent 2012). Drastic differences between assessed land values and building values also represent the core of rent gap theory, and contribute to problems such as gentrification and property milking (Lees et al. 2008).

Under land value taxation, however, land speculation strategies predicated upon the resale of land proximate to new public investments like rail systems (see Chapters 4 and 6) could be mitigated because profit margins would be inherently taxed. One hypothetical study shows that applying revenue neutral land value taxation to Vancouver, WA would serve to reduce taxes on single family and multifamily housing as well as some commercial properties while raising rates on vacant and other commercial sites (Gihring 1999). The study suggests that it would indeed reign in land speculation in

moderate growth scenarios and may be politically viable given the reduction in taxes for a majority of residents (Gihring 1999). Although still not in common usage, land value taxation has been implemented around the world in New Zealand, Johannesburg, South Africa, Taiwan, and parts of Australia (Pindell 2005-6). In the United States, the only state where it is widely used is Pennsylvania, where 19 towns and cities have enacted it (Hartzok 1997; Vincent 2012). While impacts of the new tax system have varied, and are hard to disentangle from other economic and political factors, studies suggest that it has helped to incentivize new construction in Harrisburg, Clairton, and Pittsburgh (Hartzok 1997; Vincent 2012). In fact, Pittsburgh – which was the first American municipality to enact split-rate land taxation, in 1913 – witnessed a 70% increase in building permit values and construction in the 1980s, shortly after the split-rate tax was revised to tax land values in much greater proportion (Hartzok 1997; Oates and Schwab 1997). Compared with 15 other Rustbelt cities, Pittsburgh was the only city to experience a surge, rather than consistent decline, in construction in this period (Oates and Schwab 1997). While researchers are careful to qualify these findings, noting that the construction boom was primarily due to latent demand in Pittsburgh’s office market, they argue that land value taxation was an important secondary factor (Oates and Schwab 1997). In the Phoenix context, one interview participant noted that land value taxation would have been especially just and productive if deployed in Tempe before the construction of Tempe Town Lake. The lake – a dammed river project near downtown Tempe, funded by taxpayer money – greatly enhanced the value of land on either side of the river and led to a slew of high end condominium projects. Land value taxation would have allowed some

of the developers' profit margins (the social increment) to be funneled back into public coffers, generating future productive public investments.²⁸⁵

Maricopa County's current property assessment and taxation system does differentiate between the value of land and of improvements upon the land, however. Tax rates for individual properties incorporate both types of value. The assessor's office generates two different estimates of property value: Limited Property Value (LPV) and Full Cash Value (FCV). FCV essentially represents the sum of land and improvement values, and is used to fund secondary property taxes used to service government bonds and fund special assessment districts. LPV funds primary property taxes, and is determined by applying a formula to FCV such that the annual increase in taxable property value is limited (as ordered in the Arizona Constitution) (State of Arizona 2011). To further emphasize land values and the social increment over the value of improvements, the balance between these two values would need to be shifted to some extent. Yet there are limits to the efficacy of land value taxation, especially in the modern context. For example, pure land value taxation based on service access and walkable urbanism would tend to raise taxes on inner city properties, and promote the gentrification of lower income neighborhoods with preexisting urban access. An alternative property valuation system based on use values and democratically determined high value areas would perhaps face a similar problem, as taxes and prices rise in areas with high service access and force lower income residents into areas with few amenities.

Thus a truly progressive, use-inspired property valuation and taxation system would probably need to be more complicated and specifically oriented towards

²⁸⁵ Allen Carlson interview, November 8, 2012.

sustainable urban development goals. This type of system could begin with use-inspired property valuation, perhaps along the lines mentioned above, to remove the volatility and false valuation inherent in a system based on comparable sales and properties. It could then incorporate specific economic development ideas, incentivizing certain types of land use, urban form, and density over others by connecting valuation with land uses and zoning. Maricopa County's "Senior Valuation Protection Option" program has established an interesting precedent closely related to these ideas. The program freezes the property valuation for senior citizens for three years, if they provide proof of owner occupancy, two years of residence, and low income status (State of Arizona ND-a). The program proves that specific policy goals can be pursued by altering the property valuation process. What if affordable housing or adaptive reuse buildings were similarly incentivized (as suggested by local community groups; DVC 2004), within the scope of a comprehensive approach to sustainable urban development? For example, if a consensus emerges that mid range urban density is a crucial feature of urban sustainability in 21st century Phoenix, property valuation techniques could emphasize a connection between land use, density, and property values such that 3-5 story projects are assessed and taxed at a lower rate than either single family properties or skyscrapers. At the same time, an alternative property valuation system not based on transaction prices could ultimately become more of a flat tax than the current arrangement. This would hurt urban sustainability's concurrent goal of reducing income inequality, but these effects could be mitigated by progressive income and sales taxes.

Ultimately, it is crucial to recognize the inherent tension promoted by the current property valuation system. When property values rise rapidly, property owners who wish

to sell are benefitted while long-term owners are hurt by rising tax bills. Sustainable urban development theory implies privileging long-term owners embedded in the community and local economy. Thus it is critical to provide a separation between property valuation for the purpose of sales (a function accomplished by the private market) and valuation for the purpose of taxation (a public, democratic process of collectively assigning value and social responsibility). Not only can taxation valuation be reformed to minimize land speculation, but it can serve as a powerful economic development tool if closely connected to land use, zoning, and local development initiatives.

5.2: Tax vacant land at a higher rate than improved land. Henry George was the first theorist to suggest that vacant land speculation can be deterred by taxing vacant land at a higher rate (through land value taxation) (Gihring 1999; Pindell 2005-6). When improved land is taxed more heavily than vacant land, productive activity is disincentivized and taxes tend to erode the basis for continued property investment. A variety of modern academic and popular theorists have presented similar arguments, noting that vacant land taxation should spur urban development (Kunstler 1996; Accordino and Johnson 2000; Leigh 2003; Pindell 2005-6; Wachsmuth 2008). Kunstler (1996) anticipates a more complicated economy, arguing that higher land taxes would reduce potential buyers and lower demand for properties, thus lowering prices and eventually increasing the odds of productive development. Only a few cities have implemented higher tax rates on vacant land than on developed land; one notable example is Washington DC, where vacant land is taxed at a rate 2.5 times higher than residential land (Wachsmuth 2008).

In the Phoenix context, a number of activists and community groups (as well as the City of Phoenix Planning Department) have suggested a similar policy to rectify the large amount of vacant urban land (City of Phoenix 1995; DVC 2004; DVC 2011). Under the current tax structure, improved land is taxed at 20% while vacant land is taxed at only 16%, providing an incentive structure for many property owners to demolish historic buildings while they hold onto property.²⁸⁶ Some interview respondents indicated that equalizing vacant and improved rates, or even elevating vacant tax rates higher, represent ideas worth exploring in more detail.²⁸⁷ Yet other downtown stakeholders were extremely critical of the idea, warning that it could trigger the flight of downtown property owners who are just starting to actively invest in the district, and more generally threaten private property rights in the city.²⁸⁸

If I'm sitting there paying property taxes, and you're not investing in my land, and you start putting pressure on me, I think that's wrong...I've heard people say, all the vacant land should be taxed triple. [But if] you start raising taxes, I'm just going to walk away. You're going to force me to develop something that's not going to work, where I have to go through a personal signature to borrow money, and I'm going to lose it, and they're going to rip the sheets off my bed – that doesn't make sense, does it?...Someone has to hold that ground until the time is right.²⁸⁹

Thus the taxation of vacant land is a highly contentious issue in downtown Phoenix. One compromise solution could involve implementing higher vacant land taxes, but providing

²⁸⁶ Lanning, interview; DVC 2004; DVC 2011.

²⁸⁷ Brice, interview; Vera, interview; Lanning, interview.

²⁸⁸ Schneider, interview; Lazarus, interview; McDonald, interview.

²⁸⁹ Schneider, interview.

exemptions for local property owners who have actively invested in other properties; another solution could provide tax exemptions for new owners for a specific period of time (e.g., up to 3 years), allowing a window under which owners can wait for favorable development conditions without assuming a larger tax bill.

A separate but related policy solution would involve the use of ordinances and fees to provide disincentives for long-term vacant land holdings. A number of cities have instituted such programs to discourage vacant land: Winnipeg, Canada received provincial authorization to establish a system where vacant property owners must apply for vacancy permits; San Diego imposes fines on vacant properties lacking redevelopment plans filed with the City; Portland mandates quarterly vacant building inspections, at the cost of the owner; and Wilmington, DE established annual registration fees for vacant properties that rise over time (Wachsmuth 2008). Other cities, like Louisville and Salt Lake City, have established abandonment taxes and fees as well (Bowman and Pagano 2000).

5.3: Restructure the county's property tax lien system. Municipal governments in the United States operate within systems that allow them to foreclose and assume ownership of tax delinquent private property. Bowman and Pagano (2004, 90) note that 55% of large American cities surveyed indicated that this authority rested at the county, not municipal level under state law, “thereby creating a situation of county-owned vacant land located within the corporate limits of a city.” Cities also vary widely regarding the legal tipping point for tax foreclosure on abandoned properties; while New York forecloses on abandoned commercial properties after only one year of delinquency, Atlanta waits for five years (Bowman and Pagano 2004). In Phoenix, tax foreclosures are

handled by Maricopa County, and after a number of years the county sells tax liens to investors. Investors who buy tax liens (the amount of back taxes on the property) and continue to pay taxes are ultimately guaranteed a set, generous rate of return by the county when the property is resold.²⁹⁰ Private markets have evolved that specifically focus on investing in county tax liens.

The tax liens system offers an opportunity to generate productive urban development because it involves government control over often developable land in central urban areas. One city policymaker noted that the City had a desire to buy tax liens, as part of a larger initiative to proactively steer development outcomes in downtown (see Chapter 4), but that the tax lien market was too complicated, privately-oriented, and fast for the City to participate.²⁹¹ Thus one way to generate sustainable urban development outcomes would be to alter state and county policy to allow privileged access to certain foreclosed properties to the City or private developers with congruent plans. Even if only a small fraction of the county's tax liens were funneled to public or private entities promoting affordable housing, mixed-use environments, or creative economies, it could represent a significant step forward in development outcomes. This policy could be even more effective if paired with progressive property valuation and taxation or higher vacant land taxes.

5.4: Strengthen the legal authority of regional governance over land use, transit, and development outcomes. The Phoenix metropolitan area hosts a number of quasi-governmental agencies focused on regional urban issues, in addition to the regional urban functions of Maricopa County government. The Maricopa Association of Governments,

²⁹⁰ Schneider, interview.

²⁹¹ Krietor, interview.

Valley Metro transit, Arizona Public Service, and the Salt River Project provide regional transit, utilities, and planning functions that are important for the continued development of the region. Yet the metropolitan area is also fractured into a large number of separate municipal governments, many of which tend more towards competition for commercial development and prestige than regional cooperation. A stronger regional government, with explicit legal authority granted by the state, could help promote regional cooperation on important development issues and end destructive competition in the process (see Chapter 3 for references and perspective on regional government in Phoenix).

One of the core tenets of sustainability theory holds that, when addressing wicked sustainability problems, the unit of governance must match the scale of the problem (Kofinas and Chapin 2009). Since sustainable urban development is an inherently regional, place-based project (Chapter 1), strong regional institutions may be required to holistically encourage dense, vibrant urban environments. For example, the planned expansion of the Valley Metro light rail system offers a tremendous opportunity for replacing sprawling growth with transit-oriented development over the next fifty years. If a regional government with true legal power over land use, zoning, property valuation, and taxation existed, the public would be in a much better position not only to enact TOD along new rail lines but also to capture the increased value from such public investments (the social increment) and productively reinvest them in the region.

Utility providers like APS and SRP also exert significant influence over infill development outcomes because the placement of utility lines can often influence the feasibility and character of new development. One interview participant argued that Phoenix utility companies need to shift their institutional mentality from the suburban

growth paradigm towards infill development if infill is to become commercially feasible. She noted that their institutional momentum – along with their physical infrastructure – can often obstruct efforts to enact TOD.²⁹² By working actively with infill development companies to successfully implement projects, utilities can learn how to restructure their operations so that today’s infrastructure projects will be congruent with tomorrow’s development initiatives.

6. Municipal Policy

As mentioned in Chapter 4 and earlier in this chapter, American municipalities are considerably constrained in their ability to promote specific economic development outcomes. The Constitution grants explicit power to the federal and state levels of government, but does not provide municipal or urban entities with comprehensive powers of home rule, especially in regard to taxation, land use controls, and regional government. Municipalities are further weakened in states like Arizona where many important urban policy instruments are controlled at the county level (see previous section). Thus the City of Phoenix is somewhat hamstrung in its urban development efforts, and must work with a limited number of policy options.

6.1: Continue reform of local business and land use regulations. For many years, proponents of infill development and local business development cited the cumbersome nature of municipal land use and business regulations as a major impediment. One infill development report noted that the City of Phoenix’s development review is an inflexible, time-consuming process, and can be especially problematic for infill because such

²⁹² Urrutia, interview.

projects are often more complex than greenfield construction due to existing infrastructure and neighborhoods. The report also argued for greater flexibility in engineering standards that arose mainly in the context of suburban development (City of Phoenix 1995). Ten years later, a community coalition focused on the revitalization of downtown's local economy cited similar barriers to development. The group argued for building permit self-certification, the use of "by right" zoning (where property owners can bypass government review of certain property improvements), and more flexible zoning districts allowing greater freedom for aesthetic expression (DVC 2004). Both reports suggest an array of interesting municipal policy ideas for redeveloping the inner core of Phoenix.

As Chapter 4 notes, many of these policy ideas have been subsequently adopted by the City. Downtown's form-based code allows greater zoning flexibility, and the development review process has been accelerated and streamlined to include permit self-certification, greater use of by-right zoning, and other reforms. While there are still some conflicts with these new regulations and older programs such as the arts district overlay and the Storefront Improvement Program, the City has been actively working to solve previously intractable bureaucratic problems.²⁹³ Yet there are still many steps to be taken to orient the City's regulatory structure away from the suburban growth paradigm and towards an acceptance of sustainable urban development. One interview respondent, who recently developed an infill property, stated that "everything in Phoenix is driven towards a suburban model, and when you try to do urban development in a place that is used to

²⁹³ Brown, interview; Esser, interview; Moore, interview.

permanent suburban stuff, it is a nightmare.”²⁹⁴ He noted that there is much more regulation of mixed use development features in the Phoenix area than in Manhattan; for example, whereas restaurant exhaust fans can blow out onto the street in New York, he was forced to pay \$50,000 to install an exhaust duct in his roof. Other entities have expressed similar problems with the metropolitan area’s adherence to suburban development protocols, such as public works and public safety guidelines (MAG 2003b; DVC 2011). Thus although the area has made great strides recently, there is much more room for improving the regulatory systems surrounding urban development.

6.2: Promote closer inter- and intra-governmental coordination. One academic study of vacant land issues suggests that ineffective government organization can represent a major barrier to efforts to redevelop vacant land (Accordino and Johnson 2000). Vacancy issues like deterioration and lack of development must be addressed by a variety of city departments (such as code enforcement, planning, economic development, assessor’s office, police, public works, and city attorney’s office), and coordination can be extremely difficult, especially when departments are underfunded and understaffed. In 1991, the City of Phoenix moved to remedy these bureaucratic problems by creating the Neighborhood Services Department (NSD) from parts of eleven different city departments, in conjunction with the urban village program. NSD was charged with focusing specifically upon neighborhood problems, including vacancy and abatement issues (Bowman and Pagano 2004).

While NSD has been successful at addressing many issues of deterioration, other observers argue that much remains to be done in terms of encouraging infill development.

²⁹⁴ Gammage Jr., interview.

The lack of coordination between the City's Planning Department and other agencies remains a central problem. Hollander (2011) notes that the City's Department of Community and Economic Development (another reformed department aimed at addressing urban issues) has been active in tackling problems, but has not effectively engaged with the planning department – especially since planning's workforce was reduced drastically after the recession because the department's revenue is closely tied to real estate development application fees. In Chapters 4 and 6, it is also suggested that the continued disconnect between city planners and the city's elected officials is another source of inefficiency and lost development opportunities. A number of government reports have proposed the creation of specific interdepartmental teams to overcome organizational issues and promote infill development outcomes, or even a new agency endowed with enough power to enact infill (City of Phoenix 1995; City of Phoenix 2002; City of Phoenix 2008). Some entities have proposed greater use of public-private partnerships and non-profit advocacy organizations to accomplish development objectives (City of Phoenix 1995; MAG 2003b); while this may prove effective, many downtown community members are suspicious of these groups' motives and may not cooperate with them as much as with city agencies.

6.3: Negotiate Community Benefits Agreements (CBA) with prospective developers. Over the past ten years, the City of Phoenix has pursued an aggressive, entrepreneurial strategy to attract developers and large projects to downtown Phoenix (Chapter 4). While many of these efforts have been successful at enacting mixed use buildings in line with public visions for the district, such unilateral efforts also run the risk of alienating community members and shifting the political economy in downtown

neighborhoods. Some authors note that these entrepreneurial strategies are now common amongst municipalities in the Western world, and as a result, “gentrification now receives more explicit governmental support, through both subsidies to large corporate developers and targeted policies designed to attract individual gentrifiers” (Lees et al. 2008, 81).

In Phoenix, a number of local observers have argued that the city needs to do a better job of building the downtown community and supplying residents with the power to influence the character of nearby development.²⁹⁵ To accomplish this, the City could attempt to negotiate CBAs with prospective developers, where developers would receive development permissions and even bonus rights in exchange for collectively negotiated amenities such as affordable housing, open space, and streetscape improvements (DVC 2004; DVC 2011). To date, the City has not attempted to use CBAs, since they have been keen to attract any sort of development,²⁹⁶ but as downtown matures the City may begin to exert more leverage over the development process. The downtown form-based code also includes a sustainability bonus system for developers that resembles a CBA; while public input is not solicited on projects, developers do receive bonus rights for providing sustainability features such as affordable housing and green construction (City of Phoenix 2010). One author notes that CBAs could also be used to tackle land speculation problems: agreements could mandate resale restrictions for a specified period of time on all residential units, or even require owner occupancy (Pindell 2005-6). Although laws mandating local ownership can be legally tricky, since it requires discriminating against nonresidents and runs afoul of certain Constitutional provisions, it can be legally justified by emphasizing the protection of community character. Traditionally, suburban

²⁹⁵ McPherson, interview; Champion, interview.

²⁹⁶ Urrutia, interview.

municipalities have been better at utilizing this justification, but there is no reason why inner cities cannot use it as well (Pindell 2005-6). Finally, if the City begins to exert tighter control over the development process, other local development goals may be pursued as well;²⁹⁷ for example, requests for proposals might be structured to privilege local developers over out-of-state firms, hopefully triggering positive feedback loops of development, profit, and local reinvestment.

6.4: Construct streetscape improvements to incentivize private development investment. A number of downtown stakeholders have argued that one straightforward way to trigger infill development and walkable urbanism is to proactively construct streetscape improvements.²⁹⁸ These types of improvements – such as widening sidewalks, creating bicycle lanes and traffic calming features, landscaping (including shade tree planting), and providing street lighting and furniture – can drastically improve the pedestrian experience and incentivize developers who hope to market their products to an urban-oriented consumer. The major impediment to this policy is cost, as such improvements can run into seven figures or more. One report suggests that downtown streetscape improvements could be funded by new, dedicated sales taxes, citywide bond measures tied to park funding, or special assessment districts (City of Phoenix 2008). Either way, it appears these costs are not totally insurmountable: the City beautifully renovated the 2nd Avenue streetscape (between Portland and Van Buren) a number of years ago and is currently planning to renovate Roosevelt’s streetscape from 7th St. to 1st Avenue.

²⁹⁷ Champion, interview.

²⁹⁸ Abromovitz, interview; City of Phoenix 1995; City of Phoenix 2008; DVC 2011.

6.5: Pursue creative zoning entitlement policies. A MAG report on TOD included a cited review of the various ways in which newer zoning concepts can provide flexibility and encourage novel urban environments. “Among the zoning initiatives used to promote TOD have been incentive zoning (e.g., density bonuses), performance zoning (e.g., tying incentives to meeting minimum criteria), inclusionary zoning (to encourage mixed uses), interim zoning (to prevent auto-oriented uses from precluding eventual TOD), floating zones (to allow flexibility in where desired uses go), and minimum-density (as-of-right) classifications.” Perhaps the most flexible zoning tool is Planned Unit Development (PUD), where special densities, mixed uses, and forms can be actively negotiated among developer, government, and community. PUDs are now allowed for the downtown district under the form-based code,²⁹⁹ and their use could be expanded to other urban zones.

Innovative zoning designations can also be used to combat land speculation predicated upon received high density zoning entitlements. Over the past few years, the Phoenix Planning Commission has begun granting entitlements that revert or expire after a specified period of time (e.g., two years).³⁰⁰ Thus developers who receive entitlements must develop the property to zoned specifications, and without a longer term guarantee of high value zoning, they lack the ability to flip properties at profit to other buyers based on that received value.

6.6: Create a vacant property registry. One of the major problems associated with rectifying urban abandonment and deterioration in many American cities is determining and contacting owners of vacant properties (Cohen 2001). This can be especially difficult

²⁹⁹ Lazarus, interview.

³⁰⁰ Klocke, interview.

when multiple properties are owned by firms as long-term investments or as tax write-offs (Cohen 2001). While Phoenix does not have the same type of abandonment issues as Rust Belt cities, it does have issues with determining the ownership of some vacant land in the central city, especially when owners hold land long-term for investment purposes and include land in family trusts and estates (see Chapters 5 and 6). Some cities have skirted these problems by creating vacant property registries and other vacant land monitoring programs (Kildee 2012). Chicago's Cook County, which recently led the nation in foreclosure inventory, passed an ordinance in 2011 requiring vacant land owners to register the property, pay a \$250 fee, submit annual reports, and maintain land to specific standards (Office of Bridget Gainer 2011). The City of Cincinnati was one of the first American cities to create a computerized inventory of all vacant land in the city, and its efforts have been copied by many other cities, especially with the advent of GIS computing (Bowman and Pagano 2004).

A similar initiative has been proposed for Phoenix in numerous reports (City of Phoenix 1995; City of Phoenix 2002), and although the NSD has actively attempted to address such issues through community forums, it may not be well-enough staffed to construct a comprehensive vacant land inventory (DVC 2004; Bowman and Pagano 2004). In many cities, the main problem with such inventories lies not with technology, but with consistent, comprehensive data collection. Information must often be collected by city personnel with other primary responsibilities (firemen, building inspectors, etc.) or by residents themselves (Bowman and Pagano 2004); in one situation, a Maryvale community organization used volunteers to maintain a vacant home inventory for a number of years, but ultimately stopped when data collection requirements became too

onerous (Hollander 2011). While this group did share their data with the NSD, providing a model for future efforts to create an inventory, their ultimate dissolution highlights the problems with comprehensive data collection.

6.7: Intensify community outreach to mitigate NIMBY behavior. A long cited problem in urban infill development is the opposition of local community members to local development. Some residents seem opposed to virtually any sort of change – a mentality often described as “Not In My Back Yard,” or NIMBY – and are often especially opposed to higher density development (and concomitant traffic) or locally undesirable land uses like social service centers or sewage treatment plants. NIMBY behavior is an especially large problem for sustainable urban development because the introduction of higher density, mixed-use form to nodes within previously suburban residential environments is a critical component. Local residents can often exert an outsized influence in public hearings regarding development proposals, and it is not uncommon for a very small minority of residents to defeat a project despite the acceptance of a majority of neighboring residents (City of Phoenix 1995; MAG 2003b). For example, one report noted that “neighborhood individuals and groups can be unreasonable and can put unnecessary roadblocks in front of developers. Delays caused by long hearing and negotiation processes can be very expensive for developers who are paying daily costs for construction loans, attorney fees, etc... The fear of encountering opposition and the delays it can cause act as a barrier to infill development” (City of Phoenix 1995, 7).

There is no easy solution to these issues, but one step that policymakers can take is to intensify efforts to educate the public about the benefits of sustainable urban

development projects. Attracting more interest from the public – and more supporters of projects, instead of simply detractors, to public meetings – could help to secure more project approvals from skittish lawmakers. Advertising the benefits of sustainable urban development theory more generally can help produce a needed paradigm shift in the ways that ordinary citizens view economic development. As more citizens see the construction of mixed use environments as beneficial both for their daily lives as well as the health of their local economy, NIMBY efforts to stymie higher density environments can be better contested.

7. Private Development Market

Sustainable urban development theory, at its core, implies that policy reforms and consumer interest should shift the locus of new urban construction from the suburban fringe to urban infill sites. While altering the socio-economic ideologies, political economies, and government policies surrounding urban development is crucial for enacting this change, it is also important to focus on how private development firms and consumers can enact sustainable development without major structural change. Over the last fifteen years, the Phoenix metropolitan area has witnessed a significant growth in infill development projects, both conceptualized and completed. While the suburban growth paradigm has not been rejected (although slowed by the recent recession), private and institutional momentum towards free market infill projects does appear to be building (Chapter 4). Infill development in Phoenix has included single family homes, mid-rise buildings, and high-rise skyscrapers; in recent years there has been increasing interest in

building mid- to high-rise projects specifically oriented around light rail transit and walkable, mixed-use environments.

The City of Phoenix Planning Department's 1995 report on infill development issues elaborates the primary factors impacting infill developer decisions to invest in a new project. These factors include stable neighborhoods lacking crime or visible deterioration, with access to services and employment; adequate size parcels or easy land assemblies; reasonable land prices; recent neighboring sales comparable to expected sales prices; minimal environmental or social impediments to development, such as zoning, brownfields, utility problems, historic preservation issues, land ownership disputes, and NIMBY behavior; and possibility for on-site marketing (City of Phoenix 1995). These factors will continue to represent critical drivers of success under the now relatively "standard" model of free market infill development. Policies that provide favorable conditions along these lines will go far in promoting sustainable development in the metropolitan area.

Yet aside from these demonstrated business models, there may be other, more innovative approaches to private and non-profit infill development that more directly address the infill development and sustainability problems elaborated in previous chapters. New models of development and land tenure hold the promise of addressing issues related to land speculation, non-local ownership, and affordable housing in a more holistic way.

7.1: Include anti-speculation covenants in private market offerings. Land speculation is a problem recognized not only by neighborhood groups and local governments, but by many private developers as well. Especially when building larger

projects, developers are sometimes concerned about speculative buying and selling of their units because these activities can lead to competition between developers and new owners for buyers. Some developers also rely upon marketing strategies emphasizing stable, community-oriented living (especially in new urbanist communities), and speculative sales can lead to long-term vacancies, absentee landlordism, and uncertain upkeep of units (Pindell 2005-6). As a result, many development firms have turned to covenants and other restrictions that address speculation, even without public policy incentives (Pindell 2005-6; Rich 2005). “Increasingly, private developers creating detached, single-family housing communities have employed restrictions on renting and resale to limit speculation. Developers may include provisions restricting the rental of property, may require buyers selling their property within a certain time period to sell to the developer at a set price, or may require buyers selling property to remit a percentage of the sales profit to the developer... Private developer restrictions that capture gains on sales...suggest an alternative administrative structure to a government imposed sales restraint” (Pindell 2005-6, 561-562).

If the infill market oriented towards unique, vibrant, mixed-use urban environments continues to grow, consumers may increasingly demand stable residential environments generating strong social capital. Anti-speculation covenants can help to ensure owner occupancy by residents who are committed to local social and economic goals. If these desires become a significant market segment, private developers will increasingly include such restrictions as a marketing tool. At least one successful infill

development in downtown Phoenix has included owner occupancy restrictions, indicating that these models can be successful in the Arizona context.³⁰¹

7.2: Advance the community land trust model of affordable homeownership.

Community land trusts (CLTs) represent an innovative form of land tenure intended to combat gentrification, land speculation, and absentee ownership while promoting community development, social capital, and sometimes sustainability goals. CLTs are nonprofit corporations that buy and hold land in perpetuity, leasing land to residents who own and improve buildings and other improvements on the land. Residents retain full ownership and interest in their homes while signing a long-term lease for the land underneath their homes. These leases are often structured so that, although residents can build equity in their homes, the CLT retains first rights of purchase and often includes resale restrictions that allow the CLT to capture a portion of appreciating property values for use in maintaining and expanding the CLT's function. CLTs usually utilize grant money from foundations and government agencies to perform these functions, and most are committed to providing affordable housing in perpetuity to community residents (Gura 2001; Leigh 2003; Davis 2010).

This innovative ownership structure serves two main purposes, in the context of this research study. First, by purchasing land collectively in urban neighborhoods on the fringe of gentrification, many CLTs can combat gentrification. CLTs use grant money to buy land and keep prices low for home buyers, and when property values rise in response to gentrification, resale restrictions and formulas allow CLTs to capture the "social increment." This money is then used to expand the program while keeping the original

³⁰¹ Brown, interview.

properties at an affordable level. There are a variety of resale restriction formulas that can be utilized, based on appraised housing values, local economic variables, and other factors (Abromowitz and White 2010; Davis 2010). Second, owner occupancy requirements and an ethic of community development serve to encourage local ownership and active community participation. CLTs are often constructed with a tripartite governance structure, where the nonprofit's elected board of directors is composed of "one-third leaseholders; one-third representatives from the surrounding community who are not leaseholders; and one-third public interest representatives, such as public officials, local funders, nonprofit housing or social service providers, or other individuals charged to speak for the public interest" (Gura 2001, 78). Thus CLTs are not intended to be insular organizations promoting affordable housing as much as a larger social and organizational foundation for local community development, including all relevant stakeholders. CLT structures can also be modified for a variety of housing types, including single-family homes as well as multi-family and apartment complexes. Limited equity housing cooperatives (utilized in New York City, among other places) and mutual housing arrangements (common in Northern Europe) represent similar ways to promote affordable homeownership and community development in perpetuity while avoiding problems associated with gentrification (Gura 2001).

In essence, "the community land trust model embodies a commitment to the principle that a community has an interest in the way that its land base is used and in the way that its land is allocated to individual members of the community" (Abromowitz and White 2010, 333). The model is directly relevant to sustainable urban development because it encourages tangible understandings of and connections between people, local

places, and the political economy of urban residence; as one author phrases, it “renews the covenant between the individual, the community, and the land on which both depend” (Matthei 2010, 401). While urban CLTs focused on affordable housing provision are most common, it is interesting to note that the basic CLT structure can be modified to support other sustainability goals such as local food and energy production, biodiversity conservation, and closed loop metabolisms. One innovative project – the Troy Gardens development built by the Madison Area CLT in Madison, WI – provides a model for sustainable urban development. The development used a small portion of a 31 acre agricultural tract for compact affordable housing while preserving the majority of the land for local food production and community open space. The housing was developed in classic CLT style, with homeownership combined with leased land and affordable, resale-restricted housing units; yet the development also involves “cohousing,” or cooperative living arrangements, green building techniques to promote energy and water conservation, and resident input on physical design features. The inclusion of community gardens has proved to be an especially important feature, bringing together residents in a common cause while increasing local food security. The development took five years to complete due to a variety of logistical and regulatory hurdles, but by utilizing the flexibility of planned unit development zoning, organizers were ultimately successful. Troy Gardens is now seen as a model ecovillage not only for its green building and cooperative features, but also the political economy undergirding the complex; it represents one of the rare examples of a project that simultaneously promotes economic growth (local food production), social equity (mixed-income affordable housing), and

environmental protection (open space preservation) (Campbell and Salus 2010; Rosenberg 2010).

CLTs were first devised in a rural agricultural context in the late 1960s, as part of the civil rights movement in the American south. The first urban CLT was created in Cincinnati in 1979, and since then the concept has spread tremendously, including influential CLTs in Burlington, VT and Boston, MA. By the 1990s, CLTs began to qualify for federal urban redevelopment grants, aiding their success and growth significantly. Today there are over 240 CLTs in 45 states (including Washington DC), and the concept is beginning to spread to other countries (Davis 2010). In the Phoenix metropolitan area, the Newtown Community Development Corporation has created numerous CLTs in Tempe, Chandler, Glendale, and Scottsdale to ensure affordable homeownership in the face of speculation and market volatility. These CLTs use grant monies to buy single family homes, renovate them, and offer them to income-eligible home buyers at a below-market price. Like other CLTs, buyers lease the land underneath the home for 99 years at a nominal rate, and Newtown reserves the right of first purchase under a specific covenant formula (Corbett 2010). The program is seen as a success by some observers, with close to a zero percent default rate; Newtown's success is based partly upon offering financial and mortgage counseling to buyers before and after the sale.³⁰²

Yet despite the success of Newtown and similar CLTs across the country, and despite the Phoenix market's continuing problems with speculative land prices and volatility, the concept has been slow to receive acceptance by mainstream policymakers

³⁰² Carlson, interview; Corbett, Aug. 20, 2010.

and organizations. The City of Phoenix did explore the CLT concept a number of years ago, hiring a consultant tied to the founding of the CLT movement, approaching lenders about financing, and assembling prospective properties for development. The concept was ultimately defeated politically, however, partly due to confusion between the CLT model and “housing trust funds,” a different instrument closely tied to real estate transfer taxes.³⁰³ Thus although it may face opposition from locals who blindly associate nonprofit land ownership with “socialism,” the previous exploration of the concept by the City indicates that there is fertile ground for reintroducing the idea – especially as developers and policymakers prepare for the possibility of another cycle of property speculation. CLTs could be deployed in a variety of downtown neighborhoods to prevent gentrification of arts districts and encourage local ownership, both central goals of the sustainable urban development movement.

7.3: Explore innovative new models of generative housing development. As noted in Chapter 4, one of the major problems with infill development in Phoenix is the lack of adequate sized parcels for development. Many vacant inner city properties are considered too small or too oddly shaped for conventional development, and often developers need to simultaneously construct neighboring projects on different parcels to make projects work financially (City of Phoenix 1995; City of Phoenix 2002). Part of the problem is that, despite a desire for unique urban environments, developers and government regulations both tend to focus on preexisting development models and aesthetic regimes. For example, the City’s 2002 General Plan advocates for infill development in the urban core, but specifies that land “should be developed or redeveloped in a manner that is

³⁰³ Carlson, interview; Brice, interview.

compatible with viable existing development and the long term character and goals for the area” (City of Phoenix 2002, 20). Downtown’s form-based code is similarly conflicted, including the paradoxical mandate that “buildings should be unique structures that complement and blend with the surrounding context” (City of Phoenix 2010, 74). Despite the lack of imagination exhibited by some policymakers, some individuals and community groups continue to call for new methods of infill development that can provide truly unique urban forms in a more sustainable manner and at a lower cost than conventional infill development. As one report argues, “there is not enough exploration or development of affordable/alternative techniques and materials for construction. Commonly used construction techniques make the cost of developing affordable housing prohibitive...[there is a need to] encourage housing demonstration projects that will showcase the use of alternative affordable construction materials, such as straw bale and passive solar...[and] revise the City’s building code to include some of the more affordable and innovative technologies that have recently been developed” (DVC 2004, 21). A later report by the same community coalition urges the private and nonprofit exploration of co-op housing, land trusts, and adaptive reuse strategies to perpetuate “innovative housing models” (DVC 2011).

One idea in this vein is generative or incremental development. Inspired by the long-term history of world cities (e.g., the Arab-Islamic urban tradition), as well as informal construction in developing countries, generative urbanism involves planning, designing, and engineering houses that can expand vertically over time (Hakim 1986, 2007; Alexander 2002). This type of design allows the upfront sale of small, durable, and affordable housing, but encourages residents to save money to build additional stories

over time, adding to urban density while allowing residents who improve their financial standing to remain embedded in local communities. Generative development is intended to generate 2-4 story residential or mixed use development on centrally- or transit-oriented land parcels too small or oddly shaped to be considered by the mainstream development industry. Single- or multi-family structures could be individually constructed on exceptionally small lots (800-2000 sq. ft.) subdivided from existing vacant lots. Not only could this approach activate “orphaned” lots ignored by conventional developers, but it could also provide a source of affordable homeownership predicated upon small, simple architectural designs. New green building techniques and prefabricated construction hold the possibility of reducing energy and construction costs as well. These types of developments could also include new types of generative zoning codes – common in Arab-Islamic cities but virtually unheard of in North America – that regulate the ongoing, open ended process of individual development encouraged by incremental methods. These codes could regulate “viewscales,” lot coverage, density, and common areas without over-restricting the flexibility of residents to design their own urban form. It is possible that units could be sold with preapproved architectural designs and building permits for future vertical or horizontal additions, to be enacted when homeowners save enough money for expansion.

The ideal of generative zoning and development is still a concept, and there are many barriers to implementation. One of the most severe barriers, especially in Phoenix, are existing zoning codes that mandate setbacks, maximum densities, and urban designs. Despite the growing acceptance of PUD zoning, and an acknowledged need for small lot infill development that can support creative urban economies, the types of zoning

changes required to enact generative building are relatively severe. Yet there are some precedents in the metropolitan area for incremental construction. For example, the ASU Stardust Center for affordable housing built a model house in Guadalupe that is specifically designed to accommodate a second story addition at a future date; the house also includes innovative building materials and close attention to Latino cultural and architectural traditions (ASU Stardust 2008). Two larger buildings in downtown Phoenix, the CCBG building at 1st St. and Buchanan and the newest CityScape tower, were specifically built to allow future vertical expansion of seven stories or more; the CityScape developers have already begun to expand the towers due to strong demand for residential space in downtown Phoenix.³⁰⁴

Although there is much research needed to demonstrate the feasibility of generative building more generally, these types of projects indicate that the 21st century may be ripe for conceiving alternative, innovative styles of urban development. Ideally, generative building could be combined with the community land trust model to produce a new, for-profit development model. This model might cater to a new class of consumer valuing community cohesion, diversity, urban living, and stable political economies as much as traditional market demands such as resale value and granite countertops. Alternative development business models could be further advantaged if some of the policy reforms suggested above were implemented. Ultimately, sustainable urban development is as much about ideological change among citizen consumers as about concrete policy changes, and if sustainable political economies become widely desired, market forces may follow suit.

³⁰⁴ Abromovitz, interview; Earnest, interview.

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APPENDIX A

DATA COLLECTED AUGUST 2011-AUGUST 2012

Appendix Table A. Property Sales Data for Property A, 1992-2012 (85,932 sq. ft.)

Buyer	Sale Date^a	Price/ft²	Gross Profit	Buyer Loc.^b	Land Use
ESCA LTD	7/90, 4/91	\$12.68	\$62,823	PHX, AZ	N/A
Evergreen Pines LP	8/22/2002	\$13.42	\$1,333,462	PHX, AZ	13% built
4th Street Devel. Co.	6/8/2004	\$28.93	\$513,715	PHX, AZ	Vacant
R3 Partners LLC	2/17/2005	\$34.91	\$2,700,000	PHX, AZ, CT, DE, NV	Vacant
Roosevelt Gateway LLC	2/20/2006	\$66.33	-\$4,450,000	PHX, AZ, ID	Vacant
RG I Loan LLC ETAL	8/4/2010	\$14.55	\$817,042	AZ	Vacant
EDR Phoenix/Summa West LLC	6/9/2011	\$24.05		TN, DE	Vacant

a. Notarized date from recorded document of ownership transfer

b. Location of buyer (PHX, state code) based on address of company and/or directors, officers, managers, members

APPENDIX B

DATA COLLECTED AUGUST 2011-AUGUST 2012

Appendix Table B. Property Sales Data for Property C, 1992-2012 (26,343 sq. ft.)

Buyer	Sale Date^a	Price/ft²	Gross Profit	Buyer Loc.^b	Land Use
Evergreen Pines LP	10/15/1998	\$7.07	\$213,800	PHX, AZ	Vacant
Kriti LLC/George A. Ambus	1/12/1999	\$15.18	\$531,000	AZ	Vacant
Paying Cash for Houses.com LLC	8/3/2005	\$35.34	\$665,000	AZ, NV	Vacant
Phoenix City Investments LLC	7/25/2005	\$60.59	\$5,054,000	PHX, AZ, NV	Vacant
Third and Roosevelt Development LLC	3/4/2008	\$252.44	-\$5,550,000	AZ	Vacant
Roosevelt Lending Partners LLC	7/8/2009	\$41.76		AZ	Vacant

a. Notarized date from recorded document of ownership transfer

b. Location of buyer (PHX, state code) based on address of company and/or directors, officers, managers, members

APPENDIX C

DATA COLLECTED AUGUST 2011-AUGUST 2012

Appendix Table C. Property Sales Data for Property D, 1992-2012 (42,029 sq. ft.)

Buyer	Sale Date^a	Price/ft²	Gross Profit	Buyer Loc.^b	Land Use
14th Street Investors LTD	9/99, 11/00, 3/02	\$15.13	\$84,324	PHX, AZ	Vac/park
Jill Slikker	4/17/2003	\$16.84	\$0	AZ	Vac/park
JES Investments LLC	11/24/2003	\$16.84	\$968,984	AZ	Vac/park
Fourth Quarter Properties 94 LLC	3/23/2005	\$39.90	\$0	GA	Vac/park
Donald E./Mary K. Cardon	10/11/2005	\$39.90	\$0	PHX, AZ	Vac/park
E.G. Kendrick Jr.	10/11/2005	\$39.90	\$2,483,121	AZ	Vac/park
James Onken	10/19/2006	\$98.98	\$0	AZ	Vac/park
Copper Square 2nd Ave LLC	10/20/2006	\$98.98	\$890,000	AZ, NV	Vac/park
DTR25 LLC	8/30/2007	\$120.16		AZ, LONDON UK	Vac/park

a. Notarized date from recorded document of ownership transfer

b. Location of buyer (PHX, state code) based on address of company and/or directors, officers, managers, members

APPENDIX D

DATA COLLECTED AUGUST 2011-AUGUST 2012

Appendix Table D. Property Sales Data for Property E, 1992-2012 (27,882 sq. ft.)

Buyer	Sale Date^a	Price/ft²	Gross Profit	Buyer Loc.^b	Land Use
ILA Financial Services Inc.	12/29/1995	\$15.66	-\$136,522	PHX, AZ	25% built
386 LLC	3/10/1999	\$10.76	\$171,930	PHX, AZ	25% built
Jill Slikker	4/17/2003	\$16.93	\$0	AZ	25% built
JES Investments LLC	11/24/2003	\$16.93	\$182,615	AZ	25% built
CF Metropolis LLC	2/3/2005	\$23.48	\$530,535	PHX, AZ, CO	25% built
Copper Pointe Devel. I LLC	9/30/2005	\$42.50	\$0	AZ	25% built
Copper Pointe Devel. II LLLP	4/14/2008	\$42.50	\$0	AZ	Vacant
Johnson Bank	6/29/2011	\$42.50	-\$653,080	AZ	Vacant
O'Neill Printing	3/28/2012	\$19.08		PHX, AZ	Vacant

a. Notarized date from recorded document of ownership transfer

b. Location of buyer (PHX, state code) based on address of company and/or directors, officers, managers, members

APPENDIX E

DATA COLLECTED AUGUST 2011-AUGUST 2012

Appendix Table E. Property Sales Data for Property F, 1992-2012 (50,490 sq. ft.)

Buyer	Sale Date^a	Price/ft²	Gross Profit	Buyer Loc.^b	Land Use
337 North 3rd Avenue LLC	3/00, 3/00	\$13.62	\$163,478	PHX, AZ	29% built
Jill Slikker	4/17/2003	\$16.36	\$0	AZ	29% built
JES Investments LLC	11/24/2003	\$16.36	\$319,577	AZ	29% built
CF Metropolis LLC	2/3/2005	\$22.69	\$928,435	PHX, AZ, CO	29% built
Copper Pointe Devel. I LLC	9/30/2005	\$41.08	\$0	AZ	29% built
Johnson Bank	6/29/2011	\$41.08	-\$1,423,890	AZ	Vacant
Jerome S./Anita F. Gutkin	6/18/2012	\$12.87		AZ	Vacant

a. Notarized date from recorded document of ownership transfer

b. Location of buyer (PHX, state code) based on address of company and/or directors, officers, managers, members

APPENDIX F

DATA COLLECTED AUGUST 2011-AUGUST 2012

Appendix Table F. Property Sales Data for Property G, 1992-2012 (27,796 sq. ft.)

Buyer	Sale Date^a	Price/ft²	Gross Profit	Buyer Loc.^b	Land Use
Robin Snoke	4/2/1998	\$4.50	\$120,000	CA	Vacant
Core Builders Inc.	5/24/2001	\$8.81	\$147,000	AZ, IL, MO	Vacant
Soho Lofts LLC	7/25/2002	\$14.10	\$3,608,000	AZ	Vacant
Solomon Towers LLC et al.	4/7/2005	\$143.91	\$0	CA	Vacant
Arizona LG LLC	7/13/2009	\$143.91	-\$3,600,000	AZ, CA	Vacant
Avalanche Funding LLC	7/28/2010	\$14.39	\$0	CO	Vacant
Glencoe LLC	8/31/2010	\$14.39		CO	Vacant

a. Notarized date from recorded document of ownership transfer

b. Location of buyer (PHX, state code) based on address of company and/or directors, officers, managers, members

APPENDIX G

DATA COLLECTED AUGUST 2011-AUGUST 2012

Appendix Table G. Property Sales Data for Property AA, 1992-2012 (245,581 sq. ft.)

Buyer	Sale Date^a	Price/ft²	Gross Profit	Buyer Loc.^b	Land Use
Two Trees (33% of site)	4/23/1986	\$43.26	\$602,100	NY	Vacant
TCW Land Fund I Holding Co. (33% of site)	9/29/1988	\$50.70	N/A	CA	Vacant
Arnold/Rachel Smith	8/28/2002	\$12.35	\$9,799,764	PHX, AZ	Vac/park
McDowell and Central Avenue LLC	6/2/2005	\$52.26	\$12,767,800	ID	Vac/park
Central Phoenix Development LLC	10/16/2006	\$104.25	\$3,469,100	PA, ISRAEL	Vac/park
AI - BSR LLC	3/30/2007	\$118.37		NY, PA, ISRAEL	Vac/park

a. Notarized date from recorded document of ownership transfer

b. Location of buyer (PHX, state code) based on address of company and/or directors, officers, managers, members

APPENDIX H

DATA COLLECTED AUGUST 2011-AUGUST 2012

Appendix Table H. Property Sales Data for Property BB, 1992-2012 (102,533 sq. ft.)

Buyer	Sale Date^a	Price/ft²	Gross Profit	Buyer Loc.^b	Land Use
Southwest Savings and Loan Assoc. FA	N/A	N/A	N/A	N/A	N/A
Resolution Trust Corporation	N/A	N/A	N/A	N/A	N/A
Block 22 Inc.	12/20/1991	\$31.21	\$0	NY	Parking
Block 22 and Associates LC	12/29/1995	\$31.21	\$24,300,000	NY	Parking
Woodbury Lakes LLC	3/3/2006	\$268.21		AZ, DE, MO	Parking
City of Phoenix	10/24/2007				Parking

a. Notarized date from recorded document of ownership transfer

b. Location of buyer (PHX, state code) based on address of company and/or directors, officers, managers, members

BIOGRAPHICAL SKETCH

Benjamin Woodruff Stanley was born in Manhattan, raised in the suburb of Tarrytown, New York, and graduated from nearby Irvington High School in 1999. He received a B.A. in 2003 from Columbia University, where he majored in Urban Studies and wrote a thesis proposing a regional governance structure to mitigate competition for economic development in the New York City area. He earned a M.A. in 2009 from Arizona State University's School of Geographical Sciences, where he wrote a Master's thesis elaborating an urban geographical conception of social capital. His current work attempts to bring together these disparate interests in a focus on urban sustainability and development research. Aside from academic pursuits, he is an avid urban photographer who has exhibited photos in presentations, exhibitions, and online blogs. Other interests include trail running and hiking, various sports, geographical exploration, and armchair philosophy. He was married in West Virginia on September 17, 2011 to Elizabeth Flesher Stanley, Esq.