

*Good in Trends, Opportunities and Risks in Times of Economic Chaos*  
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Thank you.

In case you've slept through the last six months, we have fallen into economic chaos.

Don't let anyone tell you this is just one more, albeit deeper, downturn in the business cycle. This is financial Aids. It started in this country, the rest of the world is angry, and they have a right to be. There are fundamental changes taking place and what the economy and related structures are going to look like at the other end no one knows. And anyone who pretends they do is a victim of both their ignorance and their arrogance.

The one certain lesson that has been learned in the last 180 days is that we now really do have to unequivocally commit ourselves to sustainable development not just for the environment but also for the economy and our social and cultural resources.

We are in economic chaos. And, of course, two months ago Congress passed the stimulus package of around \$780 billion dollars.

But forget the \$780 billion dollar number – it's really \$2 trillion. Last spring the Bush administration had a \$150 Billion tax rebate program, then last fall there was a \$700 Billion program to bailout the financial sector. Then there's this \$780 Billion package. So, let's just say \$2 trillion.

But when numbers get this big they lose their significance. So how much is \$2 trillion?

Well it would have been enough to pay for the man on the moon effort, plus the entire interstate highway system, plus the Vietnam War, plus the first Gulf war, plus the entire budget of the United Nations for the next decade, plus all of the Tax Act historic rehabilitation projects of the last 15 years, plus the State of Iowa budget for Economic Development for the next 283 years, plus the entire Gross Domestic Product of Canada. Oh, and there would still be enough left over to pay this year's room, board and tuition for every college student in America.

The total stimulus expenditures will reach \$2 trillion and keep in mind that it will be on 100% borrowed money. Opps, sorry. After the stimulus package was passed the Washington Post said, "Yeah, it's not \$2 Trillion, it's going to be \$7 Trillion." You're 25 years old and sitting in this audience...your grandchildren will be paying off this bill.

In his address to Congress the President said the stimulus plan would create 3.5 million jobs. OK, that sounds good. But make the next calculation. 3.5 million jobs for \$780 Billion works out to \$223,000 per job. I want to apply for one of those jobs.

But I'm not against the stimulus, it's absolutely necessary, but I just want to make a comparison. There's already a stimulus in the Federal Tax Code – a 20% tax credit for rehabilitating a historic building – stimulating private capital to preserve heritage structures. And what is the cost to the Federal Treasury of that stimulus? \$6,873 per job.

Another way of looking at that is the Senate plan would create around 5 jobs per million of Federal expenditure. The historic rehabilitation tax credit creates 145 jobs per million of Federal expenditure.

Here are five facts we've got to face:

1. The world is in economic chaos
2. The "market" is not going to get us out of it
3. The government is the actor of last resort so has to take the lead to get us out of this
4. There is no money in the bank, so 100% of this stimulus package is going to be paid for with borrowed money.
5. It isn't John McCain or even Barack Obama who are going to pay off the obligations that will be incurred this week – it will be your children and grandchildren.

So if we are saddling children yet unborn to pay off our debts, at least we ought to be spending the money on assets that will still be around for them to use. Unfortunately, that's not remotely the case. We are buying Big Macs with 40 year mortgages.

Here's my back of the envelope calculation:

- 57.8% of the money is going to be spent on operating expenses and cash distributions, the impact of which will be entirely in the next 12 months.
- Another 14.8% will be spent on short term assets – those that have a life of 5 years or less.
- 17.4% of the money will go towards assets with a useful life of between 5 and 19 years.
- Leaving 10% of all of that money invested in long-term assets.

And lest you think I'm just pointing fingers at the Democrats, the Republicans are equally at fault. The total sum of their creativity consisted of "No" or "Tax Cuts". The entire Congress owes an apology to you all not for passing a stimulus plan, but for its components.

But I'm done complaining about the short-sighted, disingenuous, self-serving, screw-the-next-generations approach of this stimulus plan. But what we have to do now is to restructure our economy so that it represents sustainable development.

This phrase – sustainable development – is tossed around a lot. But at least in this country it is not at all well understood. If we listen to the environmental community sustainable development is only about saving the snail darter habitat and making sure wetlands are preserved. If we listen to the US Green Building Council we would reach the conclusion that sustainable development is all about solar panels and waterless toilets.

We don't yet get it in the United States, but the rest of the world is beginning to. The international framework for sustainable development certainly includes environmental responsibility but also economic responsibility and social/cultural responsibility.

That creates three important nexus: for a community to be viable there needs to be a link between environmental responsibility and economic responsibility; for a community to be livable there needs to be a link between environmental responsibility and social responsibility; and for a community to be equitable there needs to be a link between economic responsibility and social responsibility.

I'm going to come back to this holistic approach to sustainable development shortly, but let me move to the economic component of the sustainable development equation.

What would sustainable economic development look like? I would suggest that it would have ten characteristics.

First, sustainable economic development would base the strategy on using existing local assets.

Second, there would be widespread, measurable benefits locally.

Third, sustainable economic development would depend primarily on the private sector, particularly small business. And I'll come back to that one later. Fourth, the elements of sustainable economic development would be contributors in economic down cycles as well as up cycles.

Fifth, sustainable economic development would allow the participation in economic globalization but mitigate cultural globalization.

Sixth, sustainable economic development strategies would recognize that quality of life is a major component of economic competitiveness and that knowledge workers in particular place a high value of quality of life criteria in their choice of where to live and work.

Seventh, sustainable economic development strategies would be long term, not short term.

Eighth, sustainable economic development would not be a zero sum game where for one community to win another has to lose.

Ninth, sustainable economic development would advance the cause of the environmental component of sustainable development.

Finally, sustainable economic development would advance the cause of the social/cultural component of sustainable development.

We do not today have a sustainable economy. And there are trends, risks and opportunities that frame the context within which we will have to act.

So here, in no particular order, are twenty or so trends that I believe will affect our ability to establish a sustainable local economy.

There is beginning to be a significant push for and acceptance of density.

There is a very rapidly increasing shift to using public transportation. In the last three months almost 1 in 5 American workers say they have shifted their commute to work habits away from driving alone in their car.

However there is not the capital available in reserves and in many instances not enough borrowing capacity to add to public transportation infrastructure – be that more busses, additional subway stops, more train cars or whatever.

A story last fall noted that busses in Louisville, Kentucky are now periodically skipping some bus stops with passengers waiting, because there is no more room on the bus but no money to buy new busses.

At the same time, the cost of fuel is causing some, even wealthy, school districts to reduce the number of students who are served by school busses – requiring more of them to walk to school. I'm not so sure that's not a good trend, but for 40 years we have built schools like we built shopping centers...surrounded by open space and designed with automobile orientation rather than pedestrian orientation. Therefore both the distances and the walkability between students' homes and the schools are often very problematic.

There will be a renewed interest in neighborhood schools, and this will spur a rebirth of the neighborhoods around them. More and more unused schools will be taken over by charter schools. But many will be reactivated by public schools systems generally.

Local governments and advocacy groups are beginning to understand the importance of mixed income housing, both on the building level and on the neighborhood level. This is going to mean more inclusionary zoning ordinances and an increased role for non-profit housing providers.

Corresponding with the enlightenment about mixed income housing will be greater encouragement for mixed use buildings and mixed use neighborhoods.

We all know about the infrastructure in this country that is in desperate need of repair and replacement. That is going to become more apparent in small towns and close in and older urban neighborhoods. And where is the money going to come from for that? I have no idea. That's what the stimulus money should have gone for, but didn't.

We are going to see the rates of overall homeownership fall. They peaked at nearly 70% of all households at the end of 2004. They are down a couple of points since then. But it's not just going to be people who are no longer homeowners because they lost the property in foreclosure, nor those who might have qualified for a loan 3 years ago, who won't today. There is going to be a sizable shift from ownership to renter status for baby boomers. If the house is no longer the great investment it once was perceived to be, if it is too big now that the kids are gone and the taxes too high, and there's a decreased interest in shoveling walks and mowing grass and an increased interest in travel, millions of baby boomers will become renters.

Fewer people will want to be owners of second homes, and choose to rent a place at the beach or in the mountains for a month or two rather than owning it year round.

Historic neighborhoods will be faced with an ongoing debate between aesthetics and technology. The market will respond and design technological solutions that are not like giant ugly warts on buildings, but only if design ordinances all over the country require them to do so.

There will be more and more at home workers, both as independent businesses and as a part time alternative to going into the office. All three levels of government will move to have many of their workers work from home at least part of the time. This will make neighborhoods safer, but also increase the demand for more public services, better maintenance of streets, sidewalks, and lights, and a greater interest in mixed uses within the neighborhood.

Transportation advocates will be playing a more prominent role in neighborhood policies, and many more transportation options created. Many of these will come from the private sector, either independently or through a public franchise to provide transportation services. Even small towns are going to see wider transportation options. Included in this will be more demand for sidewalks and bike paths within neighborhoods.

There will be a significant reduction of number of automobiles per household. It isn't that everyone is going to give up their car. But there will be households who move

from three vehicles to two, and from two to one. Even a 15% reduction in total cars will have a huge impact on traffic, air pollution, fuel consumption, and neighborhood quality. It will also mean a reduction in the amount of land in a city that is devoted to parking cars. The old ratios of x parking spaces for y square feet should be thrown out the window.

There will be more multigenerational households, including both aging parents moving in and 20 somethings moving back in. There will need to be zoning adjustments to allow not only for the granny flat but simultaneously for the boomerang apartment in the basement. In many instances, however, this will mean a net increase in automobiles per residential lot, in spite of an overall reduction in vehicles.

Housing costs and immigration will increase the numbers of non-family members occupying a house, having significant implications for the bathroom/bedroom ratios, privacy areas, etc. There may be opportunities for special designs for houses for multiple, unrelated adults and redevelopment of large historic houses for the same purpose. At the same time some cities will continue to pass ordinances severely limiting numbers of non-family persons in dwelling units, often driven by anti-immigrant attitudes.

In spite of growing public dissatisfaction we will continue in many places to see the McMansion. These are parasite buildings. They are taking advantage of the character of the existing neighborhood, but are fundamentally destroying that character. They look out the lumberyard Palladian window of their 1000 square foot master bedroom suite on a great residential neighborhood. And their neighbors now have to look out the window at a residential structure on steroids. I recently heard them called “starter castles.”

What these out of scale houses are doing is adding size, but often reducing density. Virtually none of those 5 bedroom, 6000 square foot houses actually has enough people to fill those bedrooms. Size and ground cover are increased, but density reduced.

There will be a coming debate on materials and the life of materials. This is not an area where I have any expertise whatsoever. But new materials are going to be compared with existing materials in appearance, energy efficiency, life expectancy, life cycle costing and embodied energy.

More and more places are adopting the *Smart Code*. This will be positive for cities overall and in the long run may end up being the most valuable contribution of New Urbanism to urban quality.

More so called green builders are going to justify the demolition of historic houses by saying, “yeah, but we’re going to be reusing the materials.”

And speaking of materials reuse, A few months ago in the *Washington Post* was an article about firms providing recycled materials to reincorporate into house construction. And, of course, this received the adulation of environmentalists. The

president of one of these firms was quoted, “We have never cut down a tree to make our product,” he added with pride. “It’s all from 100 percent reclaimed wood.”

Now what could possibly be wrong with that, you might ask. Here’s what was in the next paragraph. “...the wood averages 100 to 600 years old and comes from barns, ancient temples, buildings and schools around the world, including countries as far away as China.” So tearing down 600 year old temples in China to provide flooring for some McMansion in suburban Chicago is sustainable development? I beg to differ. And the excuse that “well, we didn’t tear down the temple, we just bought the wood” is no more legitimate than saying, “We didn’t kill the elephant; we just bought the ivory after it was already dead.”

We are going to continue to hear charges of “gentrification” but the definition is going to move away from being primarily race based to being income based.

Unfortunately for those of us who believe in historic preservation, we will see an increasing use of historic designation as a NIMBY tool, abetted by preservation consultants who will make claims that anything over 50 years old is historic, without any qualitative judgments or only spurious claims about historic criteria. It’s not that there’s some great tidal wave of born again preservationists. It’s just that there are very few tools to influence neighborhood quality available, so the historic preservation stick is the one that’s grabbed.

Today, not infrequently LEED designation is being used as the justification for the demolition of historic buildings. Last September in Lexington, Kentucky a proposal was approved to build a 40-story hotel in the middle of downtown. And to do this the developers said it would be necessary to tear down 14 historic structures built between 1826 and 1930. Preservations responded that they certainly don’t object to a new hotel downtown but that there is no reason the historic structures couldn’t be incorporated into the development. “Not possible” says the developer. But look at the site. The idea that this development couldn’t be a mix of old and new suffers from a paucity of the imagination. And their stick to justify the demolition? “Yeah, but we’re going to be LEED certified.” And as a reward for destroying the history of Lexington the developers were rewarded with \$80 million of Tax Increment Financing.

Here’s the site today, so I guess they won’t have to worry about any adaptive reuse challenges. But, of course, the developer told the City Council that he had financing and investors lined up. But what is happening today? Nothing. Last week the Lexington newspaper reported that the alleged investor in this project has now withdrawn.

But it’s not just private sector developers. Here’s my latest example of myopic idiocy of environmental groups. The Nature Conservancy – allegedly a leader in the environmental world – is building a new state headquarters in Indianapolis. Their director even says, “We’re an international conservation organization. If anyone should be walking the walk of sustainability it should be The Nature Conservancy.”

I couldn't agree more. So what is their version of "walking the walk?" – tearing down a hundred year old industrial warehouse to build a LEED certified suburban-esque green gizmo building. Why? "Oh, it's deteriorated beyond saving" they say, when in fact engineering reports says that is not the case. "Oh, but it would be too expensive" they say, and yet their budget would permit \$175 per square foot to be spent? Is that enough? Well, another non-profit is renovating an older building of about the same size in Indianapolis that will be LEED certified, and their estimated costs? \$68 per square foot.

OK, I'm not being exactly fair. They are going to be reusing the building – they are going to grind up the bricks and use them for the walkway in their "conservation" garden.

And when local preservationists began objecting to the plans to demolish an historic structure, how did the Nature Conservancy respond? "You do that and we won't build here at all." – bully tactics one expects from some sleazy corporate site selection guy, not from a non-profit organization which brags about its concern for communities. You know those great before and after shots of rehabilitated historic buildings? Well, here's the Nature Conservancy's before and after shot. And here's what's left of the historic building.

An historic building is a renewable resource when it is rehabilitated; it is nothing but landfill when it is razed.

Finally, there will be an ongoing battle – each being waged under the environmental/smart growth/sustainable development banner – among affordable housing, density, historic preservation, small business incubation, and public transportation. And at the moment density and public transportation interests are trumping the other three.

So those are some of the trends, what risks do they represent?

First, is what I mentioned earlier, this push for density. And the argument will go like this: "If density is good, if proximity to the center of the city is good, then let's tear down those little old houses and replace them with six story condominiums." Historic neighborhoods and buildings will be vulnerable from three directions. First, their proximity to jobs, shopping, and schools make them targets of further densification. Second their imagined deficiency in energy efficiency – regardless of how spurious the arguments. Third, because of their locations, historic neighborhoods tend to be near transportation nodes.

Over the years local historic districts have sometimes been opposed by so called property rights proponents and sometimes low income housing advocates. Segments of the real estate community also used to oppose historic district designation claiming one more layer of regulation would prima facie hurt property values. Well, that argument has been demonstrably disproved all over the country. So now we have the anti-tax people joining in the fray, saying, "Well, sure, the property values will go up, but that just means you'll pay more taxes."

We are going to see more instances of opposition to historic districts being joined by environmentalists and transportation advocates – the environmentalists because they don't want to have to figure out how to install windows and solar panels within design guidelines, and transportation advocates saying there needs to be bigger buildings to make ridership numbers feasible.

This push for density will also manifest itself in more facadomies. Recently I heard one of the self-proclaimed spokesmen for New Urbanism say, “you preservationists are going to have to accept saving only the façade because density is a moral imperative.” Well, I'm not so sure I want a former real estate developer who now bills himself as a “metropolitan land strategist” deciding what moral imperatives are. Furthermore, not a dictionary written by Salvador Dali on drugs would call this lunacy “historic preservation”. We might as well have this Oklahoma version of the facadomy.

As I'll repeat later, sustainable development is a combination of economic responsibility, environmental responsibility, and social/cultural responsibility. The facadomy isn't responsible in any of those categories.

Every enforceable historic preservation ordinance has to have an economic hardship provision. In the past claims under that provision have usually been made based on the Penn Central “reasonable return” standard. I think there's a risk that there will be appeals for demolition or inappropriate rehabilitation under economic hardship clauses based on fuel costs. And preservation commissions are going to have to figure out how to respond.

I said earlier that once the real estate market gets back to something representing normalcy, historic neighborhoods will be in strong demand. That's good, of course, but the risk is that we'll start seeing the European pattern of rich in core and poor at edges. We need to be taking steps right now to mitigate that.

We need to be working toward sustainable development, not just green buildings. The whole EPA/Green Building Council/green architect world has been getting away with making believe green buildings *are* sustainable development.

Please leave this conference with one thing firmly in your head. The whole bevy of LEED standards are only measurements of green buildings. They are in no way, shape or form remotely measurements of sustainable development. Period. Stop letting the manufacturers of green gizmos and the US Green Building Council getting away with pretending it is.

This is what sustainable development is – a comprehensive consideration of environmental responsibility, economic responsibility, and social/cultural responsibility.

We are at great risk of that the “green building” position carrying the day – back draft dampers, waterless toilets, and solar bike racks instead of environmental responsibility, economic responsibility and cultural responsibility.

As more and more city governments are adopting “sustainable city” ordinances, but almost all of them focus exclusively on green gizmo technology. If preservationists don’t quickly turn around this very fast moving train, historic buildings will continue to be disposable in the name of green architecture.

Here’s another risk. I will readily acknowledge that there are some great buildings built in America over the last 50 years, and they should be identified and protected using the same qualitative criteria that has always been applied for historic designation.

But when the movement for the preservation of the recent past succeeds in designating whole neighborhoods of low density, automobile oriented, mediocre buildings as “historic” simply because they are 50 years old or because they represent a “typology of development” three things happen. 1) We are no longer in the position to claim that our historic neighborhoods are how cities ought to be built and represent the best of urbanism; 2) We move from being the epitome of sustainable urban development to its antithesis; and 3) We lose hard won credibility in political, financial and business circles.

Because of some fixation with the neighborhood the Partridge family lived in, we designate wide swaths of suburban crap as historic, we will have abandoned the fundamental link between historic preservation and quality, sustainability and common sense. For the most part those aren’t the neighborhoods that should be preserved; they are the neighborhoods that should be densified.

So those are some of the risks and some of the trends. But both open up avenues of opportunity. Here are some of them, again in no particular order.

We have the opportunity to make the case not just for density, but density at a human scale, which is exactly what our historic neighborhoods are.

The neighborhood based shop – the original prototype for what is today the 7/11 will make a comeback in those places wise enough to change zoning laws to allow it to happen.

With sizable numbers of baby boomers shifting from home ownership to being tenants there will be significant opportunities both to design infill housing to suit their needs, but also to manage properties on a neighborhood level.

Just three years ago 40% of single family sales weren’t as primary residence – they were either second homes or investment housing. Based on the average selling price of the investment side those were older, smaller homes targeted to tenants who couldn’t afford to buy.

But those same small dwellings – both historic bungalows and cottages, but also new construction at a smaller scale – might represent a real opportunity for rentals to baby boomers who, in fact, have money, just are no longer interested in having all their assets tied up in home ownership. In the next 15 years there will be both a desire and increased need for baby boomer assets to become more liquid, and this real estate recession is giving them a heads-up that their house isn't a liquid asset. In the best case scenario, housing values at the end of a second Obama administration might get back to where they were in 2006.

There is a great opportunity to make the case to government officials and housing advocates, that size in and of itself, is a major contributor to affordability. We should be keeping older, smaller housing stock, and rehabilitating it as an economic and environmentally responsible alternative to what has been done – building units that are expensive in dollars but cheap in construction and short-lived as housing.

The whole issue of embodied energy is being refined and brought to the forefront in the more comprehensive debates about sustainable development. Historic district commissions have an opportunity to add embodied energy costs to the evidence that has to be presented in demolition applications.

Instead of eviscerating historic buildings and neighborhoods, there is a whole series of salvaged land sites that can be used for densification, and this is a great opportunity for those building traditional housing types. Where are those sites? Brownfields, or course, and that has been going on for a while. But also the following: strip centers, failed malls, car dealerships – at least half of which are going to close – vacant big box developments, public housing sites, and school sites – hopefully reusing the school itself as housing then infilling around it.

There is a severe labor shortage of those trained in a wide range of preservation skills. Great opportunity here for both the private and public sectors to enhance existing training programs and start new ones. These are well paying jobs, particularly for those without advanced formal education. And they are jobs that can't be shipped overseas. This is an area where even a small shift in funding priorities from state and federal education and labor programs could make a huge difference.

Innovative firms that are suppliers of materials and building components will shift their product line, and invent new products, in response to regulatory requirements. It's just that the design guidelines that establish those regulations need to be wide spread and consistent enough to justify the capital investment.

Some cities have already begun to do this, but here is maybe the biggest opportunity coming out of this sub-prime mortgage foreclosure crisis – those foreclosed properties ought to be acquired and used as an inventory for workforce housing. In spite of this real estate recession, affordable housing for workers remains the number one economic development challenge today...and will continue to be so for the foreseeable

future. Who is being most affected are those that are necessary for our local economies to survive – teachers, nurses, cops, firefighters. Cities should buy these properties from banks after the foreclosure process has been completed – and buy them for 50 or 60 cents on the dollar.

There is a whole range of small business opportunities emerging but in many parts of the country it is primarily immigrants who are small business owners. We need to aggressively court those immigrant entrepreneurs to capture the opportunities that will simultaneously advance our goals.

For the next 25 years at least there are immeasurable opportunities for small scale contractors, most of which are and will remain non-union. But in contracting, in training, in procurement these small firms are often at a disadvantage. Maybe there needs to be a strong, national trade organization of small contractors who specialize in historic preservation and traditional building.

So there are some trends, risks, and opportunities that you might want to ponder. But I want to end with a brief reconsideration of two elements that I've mentioned several times already – sustainable development and small business.

Here's the problem. The mentality in this country is so focused on the technologies of the so-called green buildings the concept of sustainable development isn't grasped at all.

But if any one understands it, it must be the EPA, right? I would have assumed that this federal agency is supposed to be our country's lead entity for promoting and fostering sustainable development would get it. In late 2006 they issued their five-year strategic plan, complete with goals, objectives, and standards of measurement – 188 fact-filled pages. How many times was the phrase “sustainable development” mentioned? Exactly twice – both times in footnotes. Once because a document they were citing had “sustainable development” in its title and the other because the database they referenced was maintained by the UN's Division for Sustainable Development. How can you be the agency taking the lead for sustainable development when “sustainable development” never appears in your strategic plan?

Oh, and by the way, the number of times that “historic preservation” or “downtown revitalization” were mentioned in the strategic plan? Zero.

Within the plan, the EPA has an element targeted to construction and demolition debris. The objective is “Preserve Land” and the sub-objective is “Reduce Waste Generation and Increase Recycling.” But they have missed the obvious – when you revitalize a downtown, you *are* preserving land. When you rehabilitate a historic building, you *are* reducing waste generation. When you reuse a historic building, you *are* increasing recycling. In fact, historic preservation is the ultimate in recycling.

At most perhaps 10% of what the environmental movement does advances the cause of historic preservation. But 100% of what the preservation movement does advances the cause of the environment.

You cannot have sustainable development without a major role for historic preservation, period. And it's about time preservationists start hammering at that until it is broadly understood.

A few months ago I was greatly heartened when I read a headline on an internet news story saying, "Head of Green Building Council Links Sustainable Development and Heritage Conservation." I was all excited, thinking "they've finally got it." Until I read the whole story. It wasn't the head of the US Green Building Council; it was the chair of the green building council of the Philippines.

I've mentioned several times the LEED rating systems. LEED stands for Leadership in Energy and Environmental Design. Their latest checklist to see who gets a platinum plaque on their porch is called LEED ND for "Neighborhood Development." This is the one that was supposed to take more than just green gizmos into consideration. Its first version was a total of 114 points with a giant 2 points for adaptively reusing an historic building. After a year and a half of pilot projects they made great strides. The final version of 106 points gives 1 point for reusing an historic building – the same amount as for providing storage for bicycles.

Today cities around the country are racing each other who can adopt "green building" ordinances the fastest. Such centers of environmental activism as San Francisco, Berkley, and Santa Fe are, of course, leading the way. And what are they doing? Encouraging or mandating central vacuum systems, back draft dampers, bicycle racks and waterless toilets. And that's fine, I guess, but again misses the larger picture. Santa Fe, certainly one of the most important historic cities in America, adopted a 110-page "Sustainable Santa Fe" document. Historic preservation in that initiative? Not even mentioned.

Meanwhile, in Dubuque, Iowa, is far ahead of any of those places. It is in the process of designating its 28 square block warehouse district as a pilot project for a comprehensive Energy Efficiency Zone. And what does Dubuque have as a basic principle? That the adaptive reuse of those warehouse structures is key for energy conservation for Iowa's future. I'm telling you, the model for real sustainable development is not going to be San Francisco, Santa Fe or Berkley, but Dubuque, Iowa.

Environmentalists cheer when used tires are incorporated into asphalt shingles and recycled newspapers become part of fiberboard. But when we reuse an historic building, we're recycling the whole thing.

If I still haven't convinced you that the green building approach is insufficient, let me offer this last bit of evidence. As you all probably know, Wal-Mart has begun a big

environmental initiative. Now I'm not a Wal-Mart basher, and I think they should be commended for this activity.

But let's say Wal-Mart is so successful, that they are able to build a Super Center that uses no external energy at all – the ultimate green building. But here's where the building is going to be built.

In just 15 days, the extra fuel used to get to the Wal-Mart, wipes out the entire savings for the entire year, even if the building itself consumed no energy at all. A huge success as a green building. A huge failure in sustainable development.

Finally, let me say a word about small business.

One of my criteria for a sustainable economy was that it would be orientated toward the private sector, particularly small business. I am certainly not against public employment. In times like these we need to have public employment as part of our social safety net. But public employment is not a long term generator of economic growth; that comes from the private sector, particularly small business. Ninety percent of all businesses in America employ fewer than 20 people, fully sixty percent employ fewer than 5.

It isn't the Fortune 500 who create the net new jobs in America. In good economic times around 85% of all net new jobs are created by small firms. But in recessionary times, it is also small businesses who are keeping jobs. Over the last two years, even though firms employing less than 50 people employ 44% of the workforce, those businesses have only be responsible for 21% of the job cut backs. Large firms, on the other hand, those employing more than 500 people, employ around 1 in 6 people but they have been responsible for a third of all job losses.

Times are terrible for small businesses, but they are doing a vastly better job of sustaining jobs than are the darlings of the *Wall Street Journal*. In fact, if since the beginning of this recession small businesses had shed jobs at the same rate as big business, another 918,000 people would be out of work today. But it's the behemoths that are getting billions in bailout money.

So I have a principle to suggest that I want you to consider. We are spending our grandchildren's money bailing out businesses that we're told are too big to fail. Well, I'll accept that there are some businesses the collapse of which would have devastating effects on our economy. So here's my principle – if it's too big to fail, it's too big.

I'm more than willing to have those PhD's in macro-economics come up with a set of guidelines determining what businesses are too big to fail. And then what do we do? Break them up. We are overdue for some Teddy Roosevelt trust busting.

You've probably read editorials that have suggested this economic chaos is a failure of capitalism. It is not. It's the failure of big businesses in America to be capitalists. The heart of capitalism is competition, but Pepsi pays some university not to allow Coke machines on campus. How is that capitalism? The movie chain who has closed but still owns your downtown theater says it can't be leased to another movie company. How is that capitalism? The chain bookstore builds into their lease at the mall that no space can be leased to another bookstore. How is that capitalism?

And big business after big business is going from one Iowa community to another asking who will pay them the most to locate there. Those are welfare state parasites, not capitalists.

The only capitalists left are the small, independently owned stores on your Main Street. And they aren't getting a damn thing in this crisis.

If it's too big to fail, it's too big. Break them up.

These are not normal times. We have a crisis in the economy and we have a crisis in the environment – two of the three components of sustainable development. And the underlying cause for both crises is our failure to consider either the economy or the environment through the lens of sustainability. And in many parts of the world the social/cultural element of sustainable development is in peril as well.

We need to fundamentally rethink our local economies. They need to be sustainable. Take those steps today and your grandchildren will thank you for it.

And I thank you for letting me be here today.

Thank you very much.

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