



SUSTAINABLE CITIES: PATHWAYS APPROACH

Defining the Sustainable City Pathways for Private Capital to Accelerate Sustainability, Resilience, and Equity Goals at the Urban Scale.

Initiative Goals - California (and by extension all US urban metropolitan areas) will face the enormous challenge of transforming our cities to becoming resilient, healthy places to live, while reaching net-zero emissions in just 30 years. Accelerating private capital to meet this challenge will be the primary engine of change that is necessary to meet this scale and urgency.

Sustainable Opportunity Districts - This initiative is designed to focused on an area of research and policy that is missing in the marketplace of ideas today – how to incentivize and harness the incredible entrepreneurial power of private capital to scale up to meet the sustainability, resilience and ESG challenges outlined in the Plan Bay Area 2050. We are exploring the opportunities and challenges of moving beyond the single-asset approach to a higher performing District scale.

Re-Thinking our Cities through Sustainable Opportunity Districts will allow us to create catalyst sites that lead the transition to a sustainable City and Region. By building the cities that we need, around an integrated vision of high-value, high quality-of-place and high-performance low carbon urban districts, we also get the cities that we want.

Sustainable as a Business Model

The Pathways Project is an *Urban International Studios* sponsored study to define alternative and innovative approaches for Sustainability as a Value Generator. The study is focused on ‘Game Changing’ approaches for public and private initiatives to scale and meet our ambitious regional sustainability, resilience, and equity goals.

This initiative is focused on the following realities of developing the sustainable city: 1) how to accelerate and scale the transition to sustainable development beyond our current building-by-building approaches; 2) how to coordinate and scale private investment (with public investment coordination) in sustainable development; and 3) how to bend the “benefit/cost curve” to both significantly lower cost and increase performance of our current sustainable systems sufficiently to create profitable investment opportunities.

This initiative also recognizes the following key issues: 1) that for the foreseeable future, private capital will need to be the primary engine of change; 2) that the public sector, particularly at the local level, will be essential but resource constrained; and 3) the net-zero, climate-resilient cities we all urgently needs can only be achieved through collaboration and integration across sectors and levers, coupled with the adoption of an integrated, ‘pathways approach’ to policies and strategies driving urban development.

Why Now - Emerging Risks and Opportunities. The Pathways Initiative is designed to lead the transition of the built-environment into the accelerating net-zero and ESG responsive space that is driven by:

- Escalating carbon prices, expected prohibition of fossil fuels, subsidies on low-carbon heating systems, GHG disclosures, and zero emissions building regulations;
- Increased awareness of institutional capital that its current portfolio of real estate assets are exposed to high levels of climate risk and low ESG performance, resulting in their transition to a new investment model.
- Net zero assets benefiting from increased supply of low-cost capital, the growth of sustainable debt-markets, changing investor expectations, and opportunities for assets to qualify for green fund inclusion; and
- Changing markets due to Corporate carbon reduction commitments, and increasing demand for low carbon tenant spaces.

These ‘Pathways’ are defined as reforms and innovations across the following key levers of change:

1. **Land Use and Entitlement and Urban Form** – De-Risking entitlement (SB35 model), allow CEQA administrative review, performance-based zoning flexibility, accelerating and lowering the time & cost of entitlement
2. **Urban Form and Healthy Communities** - Performance-based Density and Program-Use, performance-based site design, insuring: Complete Communities, Environmental Performance with High-Walkable, High-Amenity district environments

3. **Attainable Housing** - Developing full range of housing affordability with higher density solutions that meet the scale of regional housing needs, and create viable & desirable communities
4. **Technology and District Infrastructure** – District Level systems increasing performance and lowering cost: - Renewable Energy, Heating & Cooling, Water, Waste, Data and Smart Management Systems; existing building integration, P3 utility ownership with 3rd party infrastructure financing
5. **Mobility, Transit and Connectivity** – Reducing the dependence on private auto travel, and introducing Public-Private coordinated approach to high levels of connectivity that integrates P3 mobility alternatives to enhanced public transit, Shared Parking, Fleet and on-demand options, better-faster-cheaper connectivity
6. **Community Benefits and Inclusive Opportunity** - Focused on improved Equitable Opportunities, and Inclusive Participation to Opportunities and Ability-to-Afford Initiatives
7. **Market Shaping Capital Strategies & Incentives** - Focused on creating high value market shaping strategies, using a range of tools including: Impact-weighted Accounting, clear Market Signaling and Public Incentives to accelerate Private Investment

Building a Methodology from Case Studies - The focus will be on building a methodology from case histories for an integrated model for Sustainable Development for single assets and larger development clusters integrated into Sustainable Districts. The district scale is the optimum size for testing and implementing innovation - large enough to gauge positive impact, yet small enough to achieve change. This approach is designed to avoid the “boil-the-ocean” trap!

With district level case histories, it’s possible to test out the new models of land use, technology, financing, public-private partnerships, and community engagement models that this integration demands. District development strategies are guided by the concept of leveraging higher performance with more efficient use of resources, with reduced costs and clear investment advantages.

This initiative will create a series of District Development Methodologies that are designed to help define the Game-Changing approaches that dramatically improve sustainability, resilience, and equity outcomes using technology, policies and finance strategies that are attainable, actionable and ‘in the market today’.