

LEO J. SHAPIRO AND ASSOCIATES, L.L.C., 455 EAST ILLINOIS STREET, CHICAGO, ILLINOIS 60611 / (312) 321-8111

Critical Insights Into Real Estate Developments: Understanding Local Attitudes toward NIMBY (How Close Is Too Close?) And Other Human Factors

Margaret M. Mueller, Ph.D. (Leo J. Shapiro and Associates – Chicago, IL) and
James G. Mueller, Ph.D. (Adventus Americas Inc. – Bloomingdale, IL)

Introduction

Development of commercial and industrial real estate is often delayed or even canceled by unforeseen public issues. For example, the USA Today reported that Wal-Mart (NYSE: WMT), the world's largest public corporation, has, to date, been unsuccessful in building one of its 40 planned "super centers" within the State of California¹). Similar levels of resistance to other "big box" developments are cited, as reflected by legal action and voter "hostilities" throughout the U.S., including the states of Washington, Kansas, Illinois, Ohio, South Carolina and Florida.

Situations such as these are uncomfortable for any corporation. They are clearly damaging from a public relations perspective. Moreover, they are intrinsically costly, viewed negatively by investors and represent just bad business in general. These issues can become exacerbated emotionally and even more contentious legally if the property in question has a legacy of potential environmental impacts (*e.g.*, Brownfield Developments).

From our perspective, however, many of these issues can at times be identified and better managed through strategic communications, thereby allowing one to avoid corporate consternation and negative public exposure. Over the past few years we have assisted a growing number of individuals, corporations and organizations in their efforts to gain a better understanding of the "public-relations" issues often associated with the potential development of commercial or industrial properties. Many of these clients and colleagues have experienced problems similar to those of Wal-Mart summarized above, albeit on a smaller, local or regional scale. As evidenced herein, however, we have been able to effectively manage most of these issues by gaining a unique understanding of and better appreciation for the local psychology and the needs of the potentially impacted residents. Using these data (at times under privilege and confidentiality), thoughtful, intelligent and careful management of local human resources have proved critical to preserve our clients' finances, retain or even enhance favorable public opinion of their organizations, and protect their investments.

¹ www.usatoday.com/money/industries/retail/2004-03-02-wal-mart_x.htm

Study Objectives

To further document the value of understanding the importance of local human factors in the integrated equation of commercial or industrial real estate development, we conducted a telephone survey of a nationally representative sample of households throughout the United States. This survey represents a subset of one that would be conducted for an individual client where their specific needs would be more artfully and carefully addressed. However, the findings presented in this summary are of considerable value in identifying some unique insights we have gained into topics that appear to be of wider range concern and relevance to the general industry of real estate development. How these issues would impact a specific development at a specific location would, of course, have to be more thoroughly assessed on that site-specific basis.

Sample and Method

A telephone survey of a nationally representative sample of 450 U.S. households was conducted during the month of September. Seven in ten respondents in the survey (72%) self-define the area they live as primarily residential.

“How would you describe the area where you live, would you say it is primarily residential, primarily commercial, or a mix of residential and commercial?”

	450
All Respondents	<u>(100%)</u>
Residential	71.7
Commercial	1.6
Mixed Use	23.8
Not Answering	2.8

Respondents were asked how they feel about various types of developments as follows: I am going to ask you about some different kinds of potential developments in and around the area where you live. I would like you to tell me, in general, how you feel about each. For example...(ASK FOR EACH)...would you say that you would “strongly support”, “somewhat support”, “be neutral toward”, “somewhat oppose” or “strongly oppose” such a development in your area? ASK FOR EACH BELOW. ROTATE ORDER ASKED BETWEEN RESPONDENTS.

- Industrial development, such as plants, refineries, etc.?
- “Big box” development, such as a Wal-Mart, Home Depot, or other type of super center?
- Office buildings or tech parks?
- Landfills?

The reported percent “support” is a net of “strongly support” and “somewhat support” and “opposed” is a net of “strongly oppose” and “somewhat oppose.”

Results

We find that in general, resident levels of support and opposition vary by development and neighborhood type.

In general, residents are more supportive of “Big Box” retail developments than they are of office/tech parks, industrial development or landfills (Figure 1). Individuals who self-define their neighborhood as primarily commercial or “mixed-use” are more supportive of industrial, office/tech park and “Big Box” development than those who live in predominantly residential neighborhoods (Figure 2).

Figure 1. Percent Support/Opposed by Type of Development.

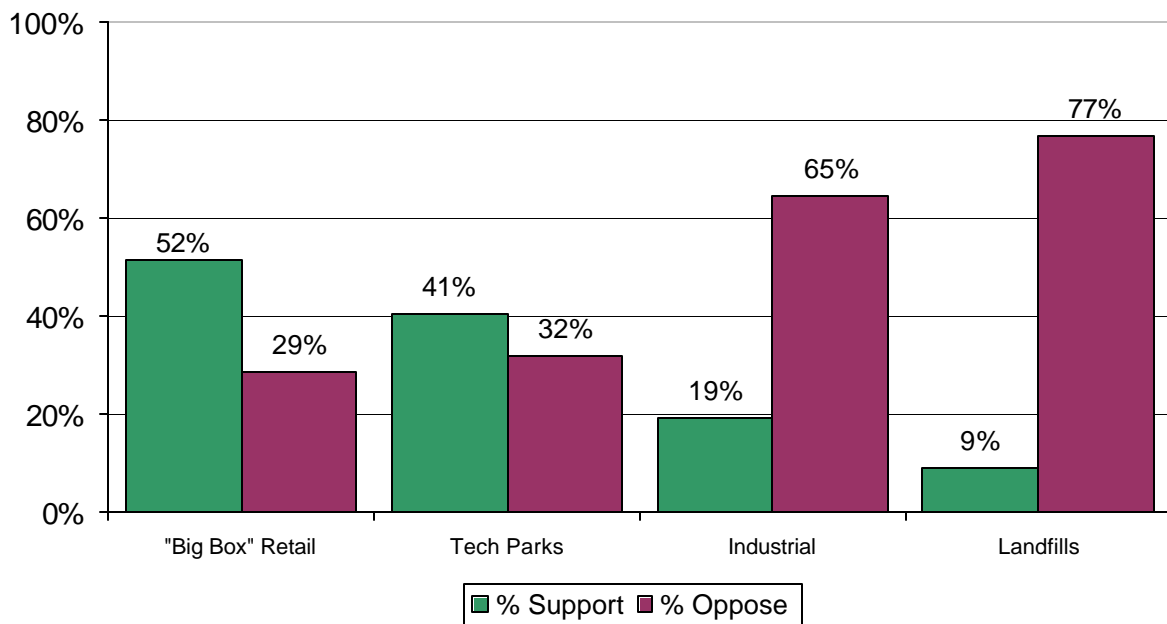
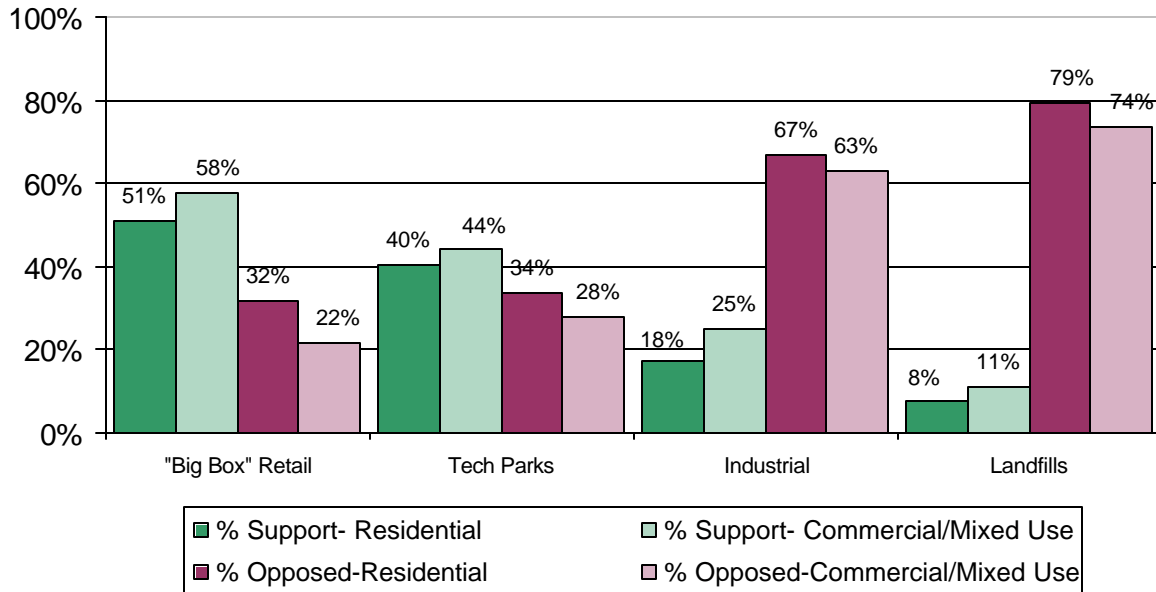


Figure 2. Percent Support/Opposed by Type of Neighborhood.

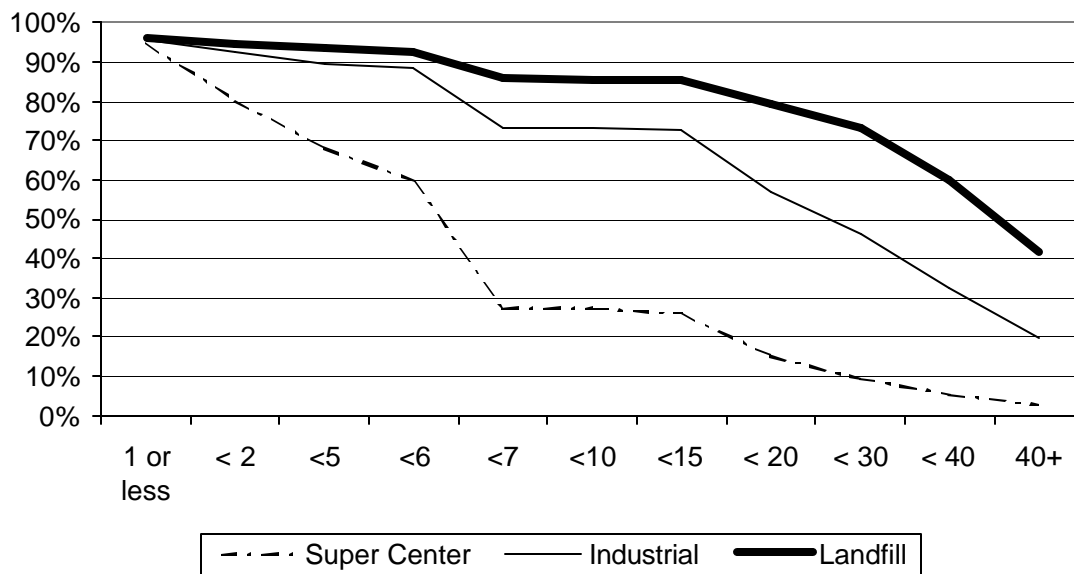


Not In My Backyard (NIMBY): How Close Is Too Close?

We learned that almost nobody wants any kind of development “in my backyard.” But what are the boundaries of NIMBY? Where does “my backyard” end?

Residents generally feel comfortable with “Big Box” retail development being a lot closer than industrial developments. “Not in my backyard” means about five minutes for retail development, within 20 minutes for industrial development and within 40 minutes for landfills (Figure 3).

Figure 3. Drive Time from Residence Identified as “Too Close For Me To Be Comfortable” by Type of Development (In Minutes).



Addressing Resident Resistance To Proposed Developments

In general, we find three attitudinal profiles of residents when it comes to proposed industrial developments. Residents tend to be predominantly concerned with one of three issues:

1. Issues that impact the community or town in which I live
2. Issues that inconvenience my everyday life
3. Issues that affect me as a homeowner and the value of my home.

Community-focused residents focus on the following five issues when assessing proposals for commercial development:

- Road improvements
- Jobs
- Being able to vote on the project
- Traffic
- Brown fields

Inconvenience-focused residents are predominantly concerned with issues related to:

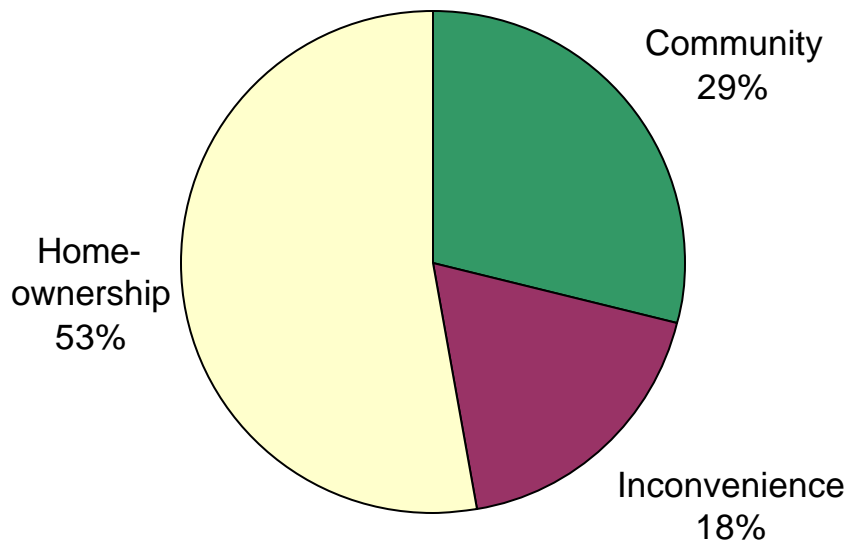
- Noise
- Time
- The architecture or “look” of the place
- Proximity to home

Home-ownership-focused residents are generally concerned with all issues but have especially heightened levels of concern for home-ownership related issues, specifically:

- Sales tax revenue
- Landscaping to protect nearby residential area
- Real estate tax revenue
- Basins to handle rainwater run-off

Home-ownership focused residents comprise the largest proportion of the population at 53% (Figure 4). Community-focused residents make up 29% of the population and Inconvenience-focused residents are 18% of the general population.

Figure 4: Percent of National Population Predominately Concerned With Community, Inconvenience and Homeowner Issues.



Predicting Resistance to Industrial Developments:

Regression analysis identify that issues of inconvenience are strong statistically significant predictors of opposition to industrial developments ($\beta = -.18, p \leq .01$).

- Noise
- Time
- The architecture or "look" of the place
- Proximity to home

Home ownership benefits have are positively predictive of support for industrial developments ($\beta = .12, p \leq .10$).

- Sales tax revenue
- Landscaping to protect nearby residential area
- Real estate tax revenue
- Basins to handle rainwater run-off

Community issues are not significant in residents' forming an opinion on an industrial development project in either direction.

- Road improvements
- Jobs
- Being able to vote on the project
- Traffic
- Brown fields

Implication: Inconvenience issues present strong barrier to support for industrial development. These issues need to be preemptively addressed when proposing a project to minimize opposition. Also, communicating potential economic benefits to homeowners could help generate support for project.

IMPLICATION FOR DEVELOPERS:

Issues of inconvenience present a strong barrier to resident support for industrial development. These issues need to be preemptively addressed when proposing a project to minimize resident opposition. Also, communicating potential economic benefits to homeowners could help generate support for project. Developers must address and refute inconvenience issues while simultaneously focusing on promoting potential economic benefits to homeowners, such as tax revenue and protecting the value of their home by shielding it from the project. Community-focused issues, such as road improvements, jobs, etc. are less important in shaping residents' opinions about industrial developments.

Conclusions and Implications

While all of these issues are important to residents at some level, certain issues are predictive of opposition to proposed developments more than others. We find that these three factors of issues—Community, Inconvenience, and Home Ownership—are uniquely related to general levels of opposition and support for Retail, Offices/Tech Parks, Industrial Developments and Landfills. Developers are frequently hamstrung by a lack of insight into resident concerns related to their specific proposed development. By understanding potential trigger issues and barriers to support, developers are better equipped to strategically develop communications that address the keystone issues that are most likely to garner support for a project.

Due to frequent overrepresentation of a small but vocal minority of violently opposed residents at local planning meetings, both developers and municipality leaders struggle to understand how the majority of the community really feels about proposed developments in their area. Many developers use surveys of local residents during the initial planning phases to understand unique market dynamics for a given project. At the same time, municipalities can conduct mail or telephone surveys of residents to efficiently and economically gauge resident opinions on issues.

The vast majority of passively supportive residents do not show up to vote on issues. It is a small vocal minority of violently opposed residents who often serve as spokespersons for the community as a whole. A survey of residents can serve as an informal vote and help town leaders identify the whole scope resident needs and concerns, not only those expressed by a vocal minority.

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Jim Mueller, Ph.D.
Director of Remedial Solutions
Adventus Americas, Inc.
109 Fairfield Way - Suite 207
Bloomington, IL 60108

Margaret Mueller, Ph.D.
Senior Research Analyst
Leo J. Shapiro and Associates, LLC
455 East Illinois Street – Suite 665
Chicago, IL 60611