

Mixed Use Development: How to Make 2 + 2 = 5 by Aaron B. Gagné, MCRP

Mixed Use Development ("MUD") has been getting more and more press over the past few years. As a means of meeting market opportunities, overcoming regulatory hurdles and carefully orchestrating capital investments, the notion of blending complementary, though traditionally separate, uses into one product is starting to successfully find its way into Upstate NY. Defining MUD and taking stock of its challenges and potential rewards may be a challenge unto itself.

MUD isn't some new phenomenon. It didn't start with "new urbanism", Reston, VA or trendy redeveloped loft spaces in urban centers. Rather, MUD is our historic pattern of development. It's about neighborhoods with integrated services. It's about having travel options to and from work. It's about commercial sites having a built-in as well as transient customer base, and about those same spaces benefiting from a 24 hour presence. The "rediscovery" of MUD is perhaps market realization of the fact that people thrive on spontaneous and circumstantial interaction, and that by combining people and uses, you can create a dynamic marketplace filled with owners, tenants, consumers and workers.

MUD has also a very wide range of scales, from a single building with a footprint of less than 20,000 square feet on a vacant urban lot in Saratoga Springs to the redevelopment of thousands of acres at the former Stapleton International Airport in Denver. The National Association of Industrial and Office Properties ("NAIOP") breaks MUD into three size categories: macro-, micro- and nano-.

Macro-scale MUD's are truly master-planned communities. Envision starting with a blank canvas of several hundred acres, designing a hierarchy of roads to support a mixture of uses, and then chipping away at the development based on market demands and critical mass. Perhaps based on a central public space or feature, your commercial uses might fall in the center of the canvas, with different kinds of housing either radiating out like spokes on a wheel or in concentric rings. Plan "landmark" uses at the key corners and facilitate patronage of certain commercial areas from outside the area. Guess what - you just created Fairport. Or Pittsford. Or Canandaigua. Or Lima.

The best example of micro-scale MUD's might be a medium-sized subdivision, or perhaps the infill of a couple of city/village blocks. Mixes start to "go vertical" more often in this model, with different uses occupying various floors of the same building. Circulation, both pedestrian and vehicular, is critical at this scale, and people move within the walkable-scale MUD. Picture the High Falls district in Rochester.

Last, and probably most popular, is the nano-scale MUD. Quite simply - it's a single site, a destination, on which a developer can combine a variety of uses. Perhaps it is a stand-alone MUD in a larger developed corridor (see "On the Boards" on page 5), or perhaps it's a redevelopment site in an existing core. Regardless, these projects are typically unified projects that become destinations in and of themselves. Picture a new building in a Village or City core, built to the sidewalk edge, with a mixture of retail at the ground level and offices or apartments ranging from loft to luxury above.

Understanding the opportunity and the form of a MUD is part of the plan, but perhaps the most critical piece of the puzzle is and always will be the market. The first of two key points in the market for MUD is that there is no fixed formula for success. The right tenant mix, and the right critical mass of traffic and consumers already in an area, is the key. All of the uses in the equation need to be viable and remain that way - a project can't be carried long-term on the back of only a portion of the planned uses. The second key point is that the plan and the facilities need to be flexible enough to respond to changing market demands. As much as the success of a project depends on the mix of uses on the day the ribbon is cut, the ability of an owner/ developer to adapt to changing markets and demands is the recipe for long-term viability.

Perhaps a co-equal to the flexibility of a MUD in order of importance is design. "Branding", or creating an identity for the newly created destination is a critical component of design. A MUD may also not be starting with a truly blank canvas. Perhaps the site calls for creative infill of reclaimed space. Perhaps instead of horizontal clustering on the site, you choose to "go vertical". Whatever the choice, developing a readily identifiable destination will go a long way to keeping sales and leases strong.

In the world that we live in, and the communities that we do business in, the regulatory framework may in fact be the greatest obstacle to overcome to develop a MUD. As with any “new” development model, there is an essential public information and education process that needs to precede any project. Local codes may not even permit the mixture of uses that may be the best fit for a given project. Clustering, density bonuses, redevelopment hurdles, shared traffic and parking facilities and underlying zoning all need to be built into the front-end of the equation. Add to that challenges of financing an unconventional project and what are sometimes exhaustive covenants, easements and cross-access agreements, and it becomes clear why a healthy measure of pre-planning is mandatory.

Daunting as the MUD process may sound, why undertake it at all? Perhaps to “build outside of the box.” Perhaps to offer a different product to a new client base, or a “move-up” product to an existing client base. Maybe you simply want to try something new and different on an otherwise unlikely site. The bottom line is that to get there successfully, you need to plan and anticipate every project facet possible, and to do so out to the fourth dimension – time. If our pattern of land development took over 200 years to evolve from mixed use to highly segregated uses, you can’t expect that same history to be undone with one project overnight. In an uncertain economy with wildly shifting markets, perhaps it may be the best idea of all to be early to the market with the “newest new thing”.

BME Associates is continually keeping an eye out for sites and communities that may hold the next opportunity for our clients. At the same time, we are working with communities to match up development and re-development sites with the right project. If you’re interested in a site or a project, or even simply the idea of a mixed use development, give us a call.