

A Balanced Mix

Mixed-use developments offer urban dwellers neighborhoods where they can live, work and play.

By Barbara Horwitz-Bennett, Contributing Editor -- Consulting-Specifying Engineer, 7/1/2006 1:00:00 AM

Where can you put in a few hours at the office, meet some friends at the corner cafe, pop in to shop at a clothing boutique, pick up your dry cleaning, catch the latest movie and then retire for the night in your condo—all without leaving the neighborhood?

The answer can be found in just about any major American city these days, where one finds plenty of mixed-use developments that combine residential, retail, office and hospitality venues for occupants to live, work and play—all in one place.

After all, who wouldn't want to eliminate a long commute to work? "Employees are increasingly demanding places near their work where they can live, shop and relax. Seeking a better quality of life, they want to spend more time with their families and friends, and less time commuting," explains St.

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Petersburg, Fla. developer Grady Pridgen, president, Grady Pridgen, Inc.

And with escalating land costs and gasoline prices further encouraging the trend, one would be hard-pressed to find an urban community where some sort of mixed-use project isn't in the works.

"Land values in urban areas have increased to the point where it makes more sense to increase densities," explains Y.E. Smith, design director, FRCH Design Worldwide, a Cincinnati-based architectural/interior design firm. "Also, lots of young professionals want to live in an urban area where they can walk to work, while retirees want to lead an active senior life and be close to places like museums."

The result is that America is experiencing a major urban revitalization. "People have become more interested in having an urban lifestyle, so they are looking for communities that offer beautiful, tranquil home living mixed with the convenience of living in an urban center," claims Andrew Greenbaum, principal of Miami-based real estate firm, Hudson Capital. "The clear trend is for people to move back to city centers; therefore, a mixed-use community provides the best of both worlds with no sacrifice."

But, in many ways, rather than being something totally new, the trend marks a return to the way things were through the first half of the 20th century, observes Jeff Davis, AIA, president, JDavis Architects, Raleigh, N.C. "Mid-century, lots of zoning occurred all over the country where everything—residential, office, retail—was separated, which has been the norm for the past 50 years. But in recent years, municipalities have realized that it makes for boring communities, so now they're asking for mixed-used developments," he says.

The right mix

Of course, a savvy developer of these projects is one who knows the community and what particular blend of design features, retail offerings and residences will have the most appeal.

For example, a good mix of one-, two- and three-bedroom apartments provides options for potential residential buyers or renters, while a mix of restaurant types can attract a variety of people. "The greater the diversity, the better it will be," says Smith.

And when there is a hotel on site, it throws more amenities into the mix for building occupants to choose from, including access to hotel concierge services, fitness clubs and swimming pools, according to Richard M. Gollis, principal, The Concord Group, a real estate consulting firm in Newport Beach, Calif. Residents could even reserve a dining room for family gatherings or guest suites for overnight visitors.

Yet another common marketing point for mixed-use developments is the inclusion of special



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entertainment venues or public spaces to bring in regional exposure. An 85.3-acre development in Estero, Fla., while not an urban high-rise, is a good example. Its developers have donated land to build a theatre playhouse as a cultural, economic and social contribution to the community. "This will be a nice centerpiece to our development, giving regional, perhaps national, exposure to help build the community," explains Andy D'Jamoos, vice president, The D'Jamoos Group, Naples, Fla.

In other words, such innovations can help foster a sense of community identity—yet another crucial ingredient for a successful mixed-use development, something that Anthony McDermid, AIA, principal, TAParchitecture, Oklahoma City, agrees with. "People are looking for a quality place, a sense of place and a unique place," he says.

And, in addition to the availability of key amenities, the right landscaping and architecture go a long way toward this end. "Walking, biking and jogging trails give residents recreational opportunities and are a way to make living in a mixed-use community more appealing," says Pridgen. "Improving intersections, adding sidewalks and crosswalks and making the community as pedestrian-friendly as possible is also very important."

As for architectural design, Matt Heisey, studio director, Vocon, an architectural firm in Cleveland, stresses the importance of letting the building team have fun with different designs such as utilizing different materials and building treatments. "People like good design. If everything looks the same, it's sterile and boring," he explains.

Similarly, adds McDermid, in a multi-building development, while a common architectural theme is nice, the goal is to achieve "a familial resemblance, but not identical siblings," because office, residential and retail are their own individual building types. And this presents yet another unique challenge.

Pulling the parts together

Because different building types within a mixed-use development can be so different, few developers and designers possess the in-house skills to take on a whole project.

"The industry is still going through a transition," explains Gollis. "Big firms don't have the experience or skill set for residential projects, so what they're doing is teaming up to bring in the expertise that they're missing. Residential firms are hiring a high-rise guy to integrate with their residential staff—and vice versa."

More commonly, firms are simply partnering for individual projects. However, it's important to get the right group of professionals together. "Programmatically, one of the most challenging aspects of mixed-use projects is understanding how you can position a product that's layered with different

expert project help, and local service and support.

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building types and how they interact," says D'Jamoos. "You've got to have the right team assembled because mixed use combines a lot of elements, and it takes expertise to know what works and what doesn't. You definitely have to lean on the expertise of your architects and engineers as well."

For example, Stan Laegreid, AIA, principal, Callison Architecture, Seattle, outlines a few practical design issues that must be carefully considered for urban high-rise mixed-use developments:

- For vertical projects, designing a structural system to accommodate retail, office and residential uses.
- Designing vertical transportation so that all elevator cores don't go to the upper residential floors.
- Well-designed parking, with separate commercial and residential areas.
- Determining the optimum design and placement of mechanical systems.
- Accounting for the need to run exhausts and plumbing up through the different mixed-use sections of the building.

And because mixed-use facilities tend to be heavily trafficked, quality construction is also critical, notes Smith. Adding to this list, Pridgen points out that spaces such as delivery areas must be carefully planned and coordinated. "These areas need to be accessible, yet out of sight from the rest of the development," he says. "We don't want delivery trucks using the main entry that residents and shoppers use, and we can't have ongoing construction interfere with access for existing users. It's a big juggling challenge."

One practical means of addressing such complex coordination challenges is 3-D modeling software, says Andrew Rollman, AIA, LEED AP, president, workplace and mixed-use studio leader, SmithGroup, Washington, D.C. For example, in addition to building informational modeling software (BIM), a product called SKETCH-UP enables designers to conduct a 3-D mapping study of the different pieces to be able to see how they all come together.

Looking at mixed-use project delivery from a broader perspective, the developer typically hires a team to design a master plan and the shells of the retail spaces. The retail tenants are then given the freedom to bring in their own people to design their individual storefronts.

However, explains Heisey, things are generally dictated to the tenants as far as what's built into the base building package. "But occasionally, retail designers are in early enough to make specific requests regarding the building infrastructure," he adds.

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As for the residences and commercial offices, says Heisey, different groups of building professionals are brought in to design and build out those spaces. Consequently, these designers are generally focused on their individual parts of the project—and not part of the larger team.

But there is one group, in particular, that must be brought into the overall design process for a mixed-use development—the neighbors.

Grass roots organization

"It really behooves developers to be friendly and open with their neighbors," explains McDermid. "We encourage them to make the plans public as early as possible, so that if there are any objections, they can be addressed." The neighbors list may include community and neighborhood groups, planning commissions, city councils and special administrative review districts, according to Laegreid, who also notes, "It's not unusual to have dozens of meetings."

D'Jamoos agrees: "We're looking to design and build something that will be there for many years, but if the community isn't on board, it won't be successful," he says. "A lot of good ideas come out of these meetings, and we're also able to gain acceptance from the community as they feel they're a part of it."

Similarly, Pridgen remarks that such meetings serve as a forum for community members to request specific retailers and features they'd like to see in the new development. By having some say in what is eventually built, community residents are more likely to lend their support to the project. "Bulldozer developers," who don't take the time to communicate with their neighbors, might not be successful in the long run.

"Every several years, the economy clears out the developers who aren't really conscientious," claims Davis. "It's really smart business to be genuine and seek as much input as possible."

One big benefit of reaching out to the community is cashing in on the incentives that municipalities often offer to attract mixed-use developments to their neighborhoods. Whether it's entitlement zones, enterprise zones, historic tax credits for adaptive re-use or tax credits for building in the inner city, the public sector extends a number of encouragements to developers.

One of the most common is tax incremental financing (TIF). Although there are several approaches to this complex financial mechanism, generally speaking, all amount to a municipality making dollars available for improvements that serve the public, according to McDermid: adding or improving sidewalks, outdoor lighting, streetscapes, parking or building facades. By defraying the cost of capital improvements, to be paid off in taxes by the developer over time, TIFs free up cash for financing a project. (See "Coming Up With the Cash," below.)

Other ways in which city governments offer assistance include professional assistance and variances on building heights and densities. For example, in southwest Florida, where D'Jamoos has done a number of projects, the standard is four units per acre. However, mixed-use projects can qualify for 8 to 10 units per acre through rezoning, if the developer promises to make a certain number of affordable workforce housing units available.

This, of course, doesn't always happen. Developers will always face the stumbling block of outdated zoning ordinances in older cities. "For instance, in Hershey, Pa., there has been a mixed-use proposal for the past eight years that would really make the city thrive, but the township can't get out of its own way to make it happen," says Heisey.

Also, because urban in-fill sites often house mixed-use projects, there can be additional limitations in terms of blending in with the surrounding areas, notes Michael Lerner, president, MCZ Development Corp., Chicago. "The permitting process is always a challenge, as city governments are focused on making sure that the end result be a beautiful addition to the community and adds value to the current adjacent properties, as well as assuring that the proper infrastructure is in place to handle the anticipated increase in traffic and parking," adds Greenbaum.

Ultimately, it's critical for developers to really do their homework, because while mixed-use projects are enjoying considerable popularity at the moment, the tide may have begun to change.

"As the market is slowing down, products are moving less quickly, whereas in the past few years, if you built it, it would sell. Now you have to get the right mix of number of units and the right kind of amenities," cautions Jeffery Glew, engagement manager, The Concord Group.

Even so, the lifestyle offered by mixed-use developments is bound to retain its appeal in the coming years, as Americans enjoy the benefits of having their housing, shopping, entertainment and business opportunities all accessible by foot in a lively, trendy neighborhood.

Mixed-Use Demographics

Who are the folks buying condos in these happening neighborhoods? According to Richard M. Gollis, principal of the Newport Beach, Calif.-based real estate consulting firm The Concord Group, the answer is "young digerati" and the "money & brains" crowd.

According to Claritas, a San Diego-based research firm, the young digerati are 25 to 35, affluent, ethnically mixed, technology-savvy and highly educated. This group's marketing preferences include trendy condos, fitness clubs, clothing boutiques, casual restaurants, juice

bars, coffee shops and cafés. While young digerati are just 2% of the national population, they account for as many as 20% of households in mixed-use developments, claims Gollis.

As for the "money and brains" group, they are affluent, well-educated professionals have disposable income for cultural events, fitness clubs and travel.

Coming Up With the Cash

Unlike traditional building projects, mixed-use developments are still relatively new on the scene, and thus, lack proof of performance over the long term. Consequently, lenders tend to be gun-shy when it comes to financing such projects.

"It can take a lot of time to speak to lenders about how mixed-use developments work, as the financial industry is still very much on a learning curve," explains Anthony McDermid, AIA, principal, TAParchitecture, Oklahoma City.

One strategy, says Stan Laegreid, AIA, principal, Callison, Seattle, is to approach real estate investment trusts (REIT), which tend to evaluate developers on a portfolio basis, as opposed to scrutinizing the specific project for which they are trying to procure funding.

Also, developers are finding more success catching the ear of larger financial institutions and insurance companies, according to Andy D'Jamoos, vice president, The D'Jamoos Group, Naples, Fla., rather than smaller banks who inevitably lack the resources to fund such large projects.

Behind the Walls

Once the optimum mix and layout of a mixed-use development is determined, it's time to choose the best mechanical systems. But there's no hard and fast rule for specifying central vs. distributed.

"Types of mechanical and electrical systems vary from region to region," explains Andrew Rollman, AIA, LEED AP, president, workplace and mixed-use studio leader, SmithGroup, Washington, D.C. "In an

office-dominant project, there are tradeoffs between the efficiency of central systems and the desire to have separate metering, operating times and ownership."

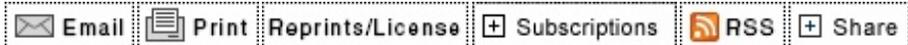
Andy D'Jamoos, vice president of The D'Jamoos Group, Naples, Fla., offers a general rule of thumb: For buildings over three stories and 30,000 sq. ft., a universal system works best, whereas smaller buildings more commonly use split systems.

But one major consideration in mixed-used developments is that placement of equipment must be carefully considered. "We must take a harder look at where we place the systems so they don't interfere with the uses of the surrounding buildings," explains D'Jamoos.

Finally, are the M/E systems for mixed-use projects more robust?

"In comparison to, say, residential development, mixed-use projects are designed with more robust M/E systems," says Pridgen. "The needs for flexibility, equipment/computer loads, phone/data networks and higher occupant loads all dictate more sophisticated systems."

But Andrew Rollman, AIA, with SmithGroup's Washington D.C. office, adds a qualifier: "Mixed-use projects are not always designed with more robust systems, but more of them for a diversity of heating and cooling loads."



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