A Brief History of Mixed-Use Developments

Stephen J. Ferrandi, Principal
Director of Residential Land Brokerage
KLNB Commercial Real Estate
Mixed-use Development Needs a Minimum of Three Revenue-producing Uses

- Residential
- Manufacturing
- Entertainment
- Community/Cultural
- Religious
- Office
- Hotel
- Retail
- Parking
An Early Example of a Mixed-use Community

The medieval village is a perfect example of a functional, productive community, incorporating all of the rules of mixed-use development.
A medieval village was typically located on a hill protected by walls. The smaller the circumference of the walls, the more dense the village.

By building all property uses close together, the walls were able to protect the village more securely than if the village were spread out over many hundred acres.
The Medieval Village

As the population of a village grew, density was contained within the limitations of the walls until no further growth could be supported. Only then were new ramparts constructed.
Rules for Building a Medieval Village

- Compactness.
- Density.
- Mixed uses.
- Limited transportation systems.
The ramparts of Quebec City – the only remaining fortified city walls north of Mexico.
As cities sprouted from medieval villages, they adopted many of the principles common to a mixed-use community.
We can see the adoption of mixed-use principals in this old map of London.
In this 1728 map of Manhattan, the compact city shows multiple uses located within just a few acres.
As the populations of early American cities swelled to dangerous levels, local governments began to mandate segregation of uses – for the health and welfare of its citizens.
New York, 1890
Zoning was first used as a method for local government to control development in New York City, in 1916.
The Concept of Zoning

Local government has the right to regulate how a private property can be developed under the police powers granted to government.
Ambler v. Village of Euclid, Ohio

- The Village of Euclid, Ohio, down-zoned a parcel of ground owned by the Ambler Realty Company from industrial, which was valued at the time at $10,000 per acre, to residential, which was valued at $2500 an acre.

- Ambler sued, and in 1926, the U.S. Supreme Court validated the concept of zoning.
After the case was upheld in court, the concept of Euclidian Zoning – wherein land use is segregated into separate distinct areas – became the dictate by local governments when deciding how and where their town should grow.
Though it is possible to develop a small-scale mixed-use project, the typical mixed-use project often exceeds 100,000 SF.

A mixed-use project can even be as large as several million SF.
Mixed-use Development MUST Exhibit the Following Attributes:

- Be a development project in conformance with a coherent plan.
- Mixed-use components should be significant – for example, more than site serving convenience facilities.
- Be pedestrian friendly.
Cleveland Union Terminal
Now called Tower City Center

Opened in 1930, the project was an early true example of mixed-use, featuring:

- Train station,
- Harvey shops and restaurants,
- Higbee’s Department Store,
- 18-story Medical Arts Building,
- 18-story Midland Building,
- 18-story Builders Exchange Building,
- 52-story Terminal Tower,
- Hotel Cleveland,
- Post Office.
Today's Tower City Center
Rockefeller Center

- Built in 1931.
- 19 commercial buildings.
- Connected via an underground concourse
- 8,000,000 SF.
- 22 acres.
West Edmonton Mall
in Alberta, Canada

Over six million SF that is home to 800+ stores and services, including a cinema multiplex, nightclubs, an indoor lake with sea lion habitat, the world’s largest indoor water park, a NHL regulation-sized ice rink, a hotel, parking for 20,000 vehicles, and a full size indoor amusement park.
West Edmonton Mall
Physical and Functional Integration

A vertical mixing of project components into a single mega-structure, often occupying only a single city block.
Baltimore’s Renaissance Harborplace

- 586-room hotel,
- four-story shopping mall,
- multi-story office complex,
- large underground parking arcade.
DC-metro Area Mixed Use

Reston Town Center

Outdoor venue with 50+ retail shops, 30 restaurants, a multi-screen cinema, a hotel, a pavilion for festivals and winter ice skating.
National Harbor is a 300-acre development on the shores of the Potomac River, with a convention center, six hotels, restaurants, shops, outdoor festival area, and condominiums.
Physical and Functional Integration

Interconnection of project components through pedestrian-friendly connections, such as sidewalks along streets, interior walkways, enclosed corridors, underground concourses, retail plazas and mall areas, escalators, and bridges between buildings.
Parking

Integrated shared parking is a key component, improving land-use efficiencies and reducing costs.
Successful Mixed-use Is Pedestrian-friendly

The second criterion distinguishing mixed-use developments from other real estate projects is pedestrian circulation and orientation.

How a pedestrian is invited into the space and is then able to freely move from product type to product type is key to a successful mixed-use project.
A Tidbit of Wisdom

When discussing mixed-use development, stop thinking of buildings as buildings and begin thinking of buildings as communities.
Questions to Ponder

- Why are you doing a mixed-use project?
- Does it make economic sense?
- Why this location?
- Why will this project be a success?
- What is the right mix of product types?
- What are the negative aspects of the project?
Mixed Use Development Is Expensive

For the developer, costs don’t go up incrementally; they go up exponentially.
Another Tidbit of Wisdom

Mixed-use projects experience the greatest economic trouble when one of the components is developed at a scale, quality, or cost level that requires other components to subsidize it.
Successfully Developing a Mixed-use Project

It's all about the demographics, the competing products, and the size of the market.

How can the developer penetrate the market, and why this location?
Why Mixed-use Projects Fail

- The project was built in an area with insufficient housing density.
- Cost to construct commands rents that consumer traffic cannot support.
- There are too many competing projects for customer dollars – rent or retail.
- Wrong mix of uses.
A Final Tidbit of Wisdom

We cannot FORCE mixed-use development – the property and market have to be right.

If local government mandates percentages, rather than allowing the developer and its team of experts decide, the project will probably fail miserably.