

The Great Debate

Industry grapples to define a trendy concept.

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When lifestyle centers were first introduced more than a decade ago, retailers and developers embraced the new concept with alacrity. Nearly every horizontal retail project was labeled as a lifestyle center, regardless of whether it was occupied by Wal-Mart and Subway or Williams-Sonoma and Starbucks.

Debate about what defined a lifestyle center raged as retail developers abused the term. Some developers accused others of capitalizing on a trend within the industry, but not living up to what the concept was about. As a result, the International Council of Shopping Centers was compelled to create a committee and develop a formal definition for lifestyle centers.

History is repeating itself with mixed-use properties.

Developers and experts disagree on what can fairly be termed mixed-use. Among the issues: How many uses do you need to truly qualify? Does a few thousand square feet of retail at the base of a multifamily property make it a mixed-use property?

Does it have to be urban, or can you build mixed-use anywhere? Moreover, how integrated must the uses be? Do they need to be in one building, or can you have apartment buildings next to a shopping center and office complex? And on and on.

The debate is more than semantics. Some are worried that a too-loose definition of what mixed-use is could lead to overkill and to the concept getting burnt out. That would be frustrating, some developers say, because mixed-use projects have the potential to revitalize moribund downtowns and create an opportunity for developers to create places rather than build yet another strip center.

Some experts predict that projects that don't truly embody mixed-use and integrate the uses will fail, because they will not receive the cross traffic and demand from residents, retail and office tenants to help owners increase rents. If such projects fail, it could lead to community backlash that will make it more difficult for other mixed-use projects to get approval.

"The definition of mixed-use is definitely being stretched," says Michael Beyard, a senior resident fellow for retail and entertainment development with the Urban Land Institute. "There's the danger of debasing the concept to the point where cities and residents don't want these types of projects in their communities because they have the wrong idea of what they really are."

There's also the danger of mimeographed projects emerging as developers try to take successful projects in one place and build the same thing elsewhere. But because of the mix of uses, some say that true mixed-use takes more care and planning. What works in one place won't work someplace else, and developers can't be lazy when putting these projects up.

The pursuit of mixed-use projects — and the labeling of many projects that may not actually be mixed use — is causing concern among many industry players. “I think we've all got to be very careful when we use the term mixed-use,” Beyard says. “By using that term, people are creating expectations within the community, and when the projects don't live up to those expectations, then the whole concept runs the risk of being tainted.”

Don Briggs, a vice president with Federal Realty Investment Trust, is sure that projects that are rubber-stamped — the ones that aren't created specifically for a certain area — will be the ones that fail.

Briggs also pointed out many mixed-use projects under development are being completed by firms that generally have no experience doing mixed-use. To him, that is a big red flag. He says when he meets with cities and government officials, they are all surprised that Federal actually has some projects to show as successful mixed-use, rather than just talking about projects.

“All of our projects that have been successful have been unique to the community,” he says. “There's no perfect formula, and I think a lot of projects that are labeled as mixed-use are going to fail.”

Few industry players may be aware that ULI created a formal definition for mixed-use more than 30 years ago. ULI says that a mixed-use project must have: three or more significant revenue producing uses; significant functional and physical integration of the different uses; and conform to a coherent plan.

“Obviously, there's a lot of room for interpretation in that definition,” Beyard points out, adding that the quality and characteristics of mixed-use projects vary dramatically from developer to developer and even from city to city.

A classic example of ULI's conception of a mixed-use project is First Security Center in Little Rock, Ark. The building, located in downtown's River Market District, stacks a six-floor Courtyard by Marriott hotel, four floors of office space and four floors of residential condos. Pedestrian paths make it accessible to neighboring buildings, and there is a parking garage and a trolley stop nearby.

The reality, though, is that the popularity of mixed-use projects may be pushing developers to call their projects mixed-use even when they're not. “It's human nature for people to look for labels, and the mixed-use label is very trendy right now,” notes Todd Fremont-Smith, vice president of development of Nordblom Company and Nordic Properties. “I think it's more about branding than it is about actually mixing uses.”

For example, many developers would say that a 24-story tower in an urban area featuring apartments over ground-floor retail is mixed-use. At least, that's how many similar projects are being marketed. "Who's to argue that if it's got more than one use that it shouldn't be called mixed-use?" asks Roy Higgs, principal and CEO of Boston-based Development Design Group Inc., which designed Atlantic Station, one of the best-known mixed-use projects in the nation.

"More often than not, the projects incorporate only two uses and don't necessarily integrate into their surroundings," says Nathan Cherry, vice president at RTKL Associates in the Los Angeles office.

Many developers believe that the best mixed-use properties incorporate more than two uses and also add in a civic component such as a museum, arts facility or library. One such project is the 15-acre Rockville Town Center in Rockville, Md. Developed in partnership between Montgomery County, Federal Realty, Ross Development & Investment and Danac Corp. the project will feature several buildings linked by a town square with a 100,000-square-foot public library and a 40,000-square-foot cultural arts center in addition to 644 condominiums and 180,000 square feet of retail space.

Connect the dots

The level of connectivity, or integration, is a key factor in determining whether a project is mixed-used versus multi-use. "We argue that there need to be physical connections," contends Geoffrey Ferrell, a partner with Ferrell Madden Associates LLC. "If a project is truly mixed-use, then people can do several things there by walking."

Multi-use, on the other hand, is more like a condominium building with a dry cleaner on the first floor. The property has multiple uses, but the second use doesn't support the building, nor does it allow the residents to live in the project and have many needs met on site. For Ferrell, the concept of true mixed-use would actually allow someone to live, work and get all their necessary goods within their immediate living area.

Ferrell points out that many people argue that Tyson's Corner in Northern Virginia is mixed-use because it boasts office buildings, apartments, retail centers and hotels. He says that the community is not walkable, and therefore, is not mixed-use, but multi-use. "It's sort of like Frankenstein's monster — you've got all the parts there, and the monster is moving, but it's not really a healthy body that functions in a coordinated way," he explains.

Beyard points out that the lack of a "hard and fast" definition for "integrating" uses has allowed people to come up with their own different ideas about how to go about it. However, he believes that a project must have an obvious connection to its environment to make it mixed-use — pedestrian walkways and synergy with surrounding buildings.

Federal Realty, for example, considers Congressional Plaza a mixed-use property. The property, which is located in suburban Washington, D.C., includes a free-standing shopping center with an apartment building and an office building behind it. "Some people would look at it as a traditional shopping center, but it's really mixed-use because it has three uses integrated," Briggs asserts.

Others, such as Peter Cavaluzzi, a design partner with Ehrenkrantz Eckstut & Kuhn Architects, believe that mixed-use properties should be less focused on a specific building or buildings. “I think it’s more about the spaces, like a public square or a Main Street,” he contends.

Cavaluzzi's line of thinking is shared by many industry experts who point out that mixed-use can actually describe an entire neighborhood rather than just one building. “Why couldn't mixed-use refer to a community with many different types of housing and commercial uses that all complement each other and support each other?” asks Dan Doyle, vice president of The Beach Co., a Charleston, S.C.-based owner, developer and manager.

Doyle points to CanalSide, a project that the Beach Co. is building in downtown Columbia, S.C., overlooking the Congaree River. The 23-acre project, now under construction, is comprised of six parcels that will house several buildings with varying uses. Some buildings will feature multifamily rental lofts or condos with first-floor retail, while other buildings will offer townhomes. When completed, the entire project will boast 750 residences and 35,000 square feet of retail space in a pedestrian-friendly neighborhood.

“When you look at classic urban neighborhoods, the Main Street will consist primarily of office and ground-floor retail, but when you turn the corner onto a side street, you get into nearly 100 percent residential,” explains Mary Madden, a partner with Ferrell Madden Associates LLC.

Although most experts believe that mixed-use properties don't have to be “stacked” within one building, a large percentage of them insist that these types of projects should be high-density developments. “Making the distinction between vertical or horizontal is irrelevant,” Madden says. “We should be thinking about land usage.”

Portland, Ore., for example, is well known for its stringent land use guidelines. City officials encourage dense development, regardless of whether or not it's in downtown or in the suburbs, says Donald Singer, an assistant managing director for Integra Realty Resources in Portland. Oregon is moving toward looking at small town centers.

Singer says that several developers are planning mixed-use projects in downtown Portland — and all of them are “stacked” developments. “They're all trying to cram as many uses as possible in a vertical configuration,” he explains.

But the construction costs for vertical buildings can be an impediment to stacked mixed-use projects, says Andy Feola, principal of Pasadena, Calif.-based F+A Architects. For example, his firm was involved in the design of Simi Valley Town Center, a 129-acre project in Southern California developed by Forest City Enterprises Inc.

The recently completed development includes a 900,000-square-foot regional shopping center, a 400,000-square-foot power center and a hotel ringed by a road with apartments on the other side.

Simi Valley Town Center is not only horizontal, it's also suburban — another hot button for professionals involved with mixed-use developments. “Typically, we find that mixed-use is much more successful in an urban, infill location than in any other area,” Doyle says.

To Doyle, a successful project creates a vibrant neighborhood, one that attracts a critical mass of people during the day and night. He believes that suburban projects don't attract enough people, even when they have a bit of residential on top of retail or office space.

For now, at least, what is and is not mixed-use remains an open question. In the end, the debate may be resolved through a more traditional measure: Profitability. And for now, no one has much of a track record.