

Georgia Planning Association

The Good, The Bad and The Ugly of Vertical Mixed-Use Development

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- We are in the beginning of a sea change with regard to how we live.



- While low density, suburban development is by no means dead, more consumers want to live in walkable mixed-use areas that have a unique identity and sense of place.
- Vertical mixed up developments are one way to help create walkable mixed-use areas with ground floor retail and other uses above.

- Communities that have or can create mixed-use walkable places will be at a competitive advantage over those that cannot.
- Opportunities to create walkable mixed-use areas will not be limited to our larger cities (although larger cities will have advantages over smaller cities in creating mixed-use living environments).

- Changing demographics and consumer preferences will fuel the growth of mixed-use areas.
- There are 78 million baby boomers many of whom will have changing housing needs over the next decade.
- The baby boomers will likely redefine what it means to get old and retire.

Baby Boomers



Baby Boomers

- What we know is:
 - They don't need the large house in the suburbs
 - They want maintenance free living
 - They are a generation that has continually sought out what is new, different and vibrant



Echo Boomers



Behind the Baby Boomers are 73 million echo boomers born between 1977 and 1994.

Echo Boomers

A much higher percentage of this group is looking for urban, sustainable and walkable living environments.



So what does this mean for the
FUTURE?

The Future

I predict that there will be a boom in “for sale” and “for lease” housing in mixed-use walkable areas within the next 7 years that will rival post war suburban development.

The Future

- In the near term, the residential housing component in mixed-use developments will mostly be rental product, but of much higher quality than typical suburban garden style apartment developments.
- Mixed-use developments will be significantly aided by local governments who see mixed-use walkable developments as a way to remain competitive.

The Future

Governments want:

- Ground floor retail
- Walkable
- Sustainable
- Vibrant



They see mixed-use as the way to get there.

So, what are the **lessons** we learned so far from the mixed-use projects we've done and the anticipated **trends**?

Lessons

Lesson 1: Mixed-use works best in highly urbanized areas where the project (particularly the retail) can be woven into the fabric of an existing urban center. Mixed-use cannot survive without the density to support it.

Lessons

Lesson 2: A suburban mixed-use project (particularly the retail component) will flop absent a lot of things going right for it all at the same time.

Lessons

Lesson 3: Suburban mixed-use development projects need to be of a sufficiently large scale to attract repeat customers and become a destination retail center.

Lessons

Lesson 4: Suburban mixed-use development needs to have the sufficient population density to support the retail issues.

Lessons

Lesson 5: Suburban mixed-use development needs to be woven into existing areas of higher population density, older historic areas with character and areas where infrastructure investments by local government (parks, parking, road improvements, etc.) will help attract users.

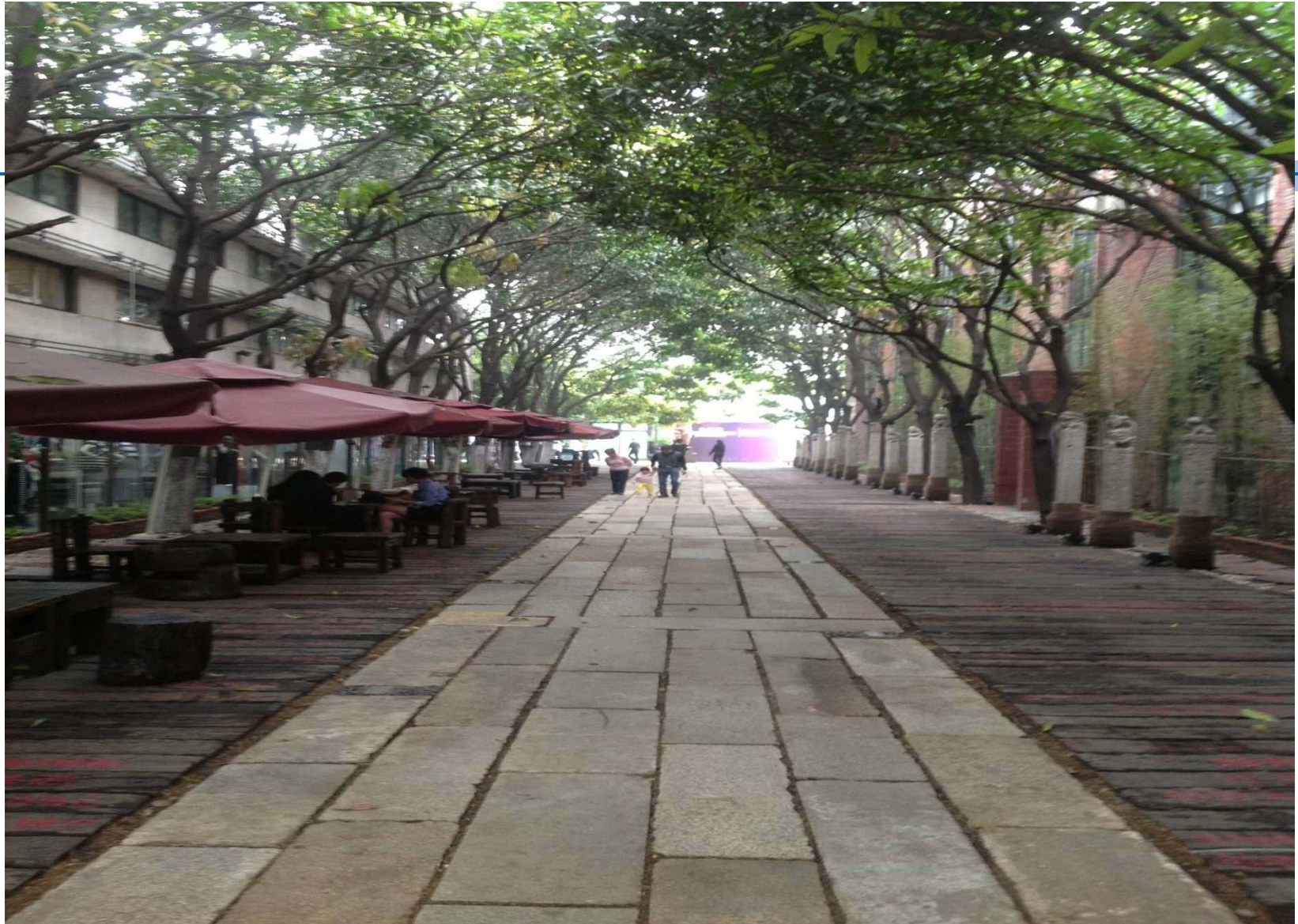
Lessons

Lesson 6: There is a difference between sustainable mixed-use and faux mixed-use. Too many cities want faux mixed-use to the detriment of sustainable mixed-use.

Lessons

Lesson 7: Vibrancy can be created in ways other than ground floor retail.

- Alleyways
- Landscaping
- Outdoor seating
- Visible ground floor uses
- Public art







Trends

Suburban mixed-use has to either be a destination project or be in a destination area.



Themes of Success

Suburban mixed-use must create *vibrancy* and *animation* to survive. People have shorter attention spans than in the past.

There are many ways to do this but the common components of success include...

Themes of Success

Good food and outdoor eating areas



Themes of Success

A sufficiently large scale to lure visitors



Themes of Success



Outdoor plazas and walking areas

Themes of Success



Gardens

Themes of Success

Markets



Themes of Success

Water



Themes of Success

Music and Art



Themes of Success

Interesting People



Themes of Success

Interesting or Historic Architecture



Themes of Success

An element of surprise in the physical surroundings
and activities



Themes of Success

Unique retail uses not found in a mall

- Galleries
- Bakeries
- Locally owned and operated businesses
- Boutiques



Themes of Success

A safe and secure area

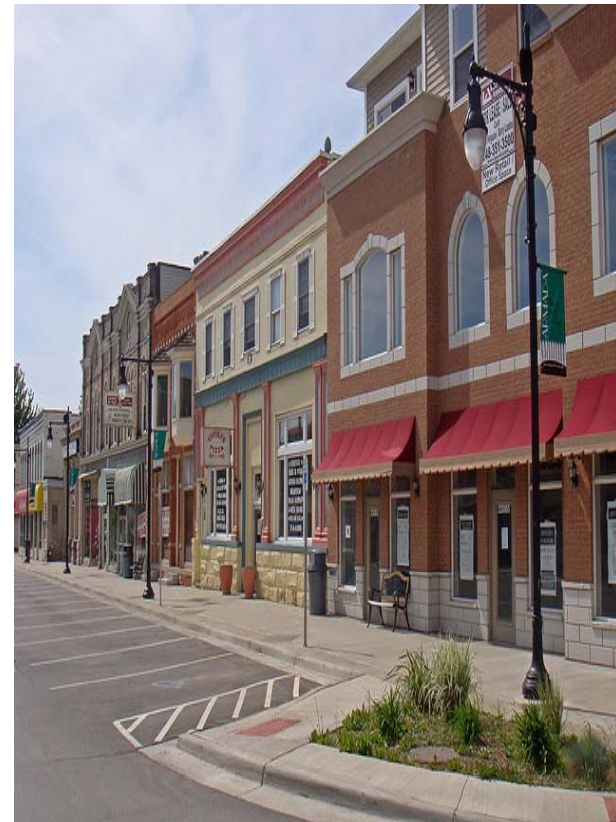
- A safe place to park
- Good lighting
- The presence of people day and night
- Police presence



Themes of Success

Sustainable uses people need as well as uses people want

- Doctor's offices
- Dry cleaners
- Food stores
- Hardware stores



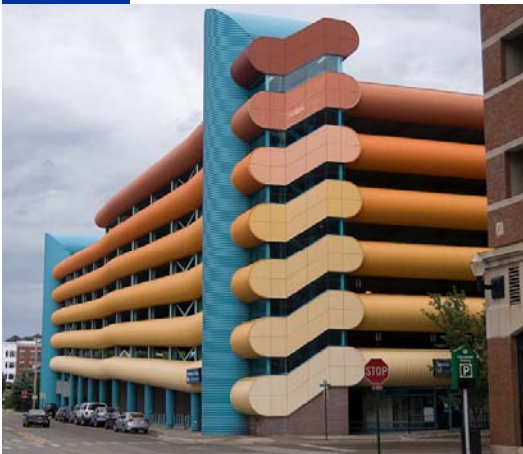
Challenges of Mixed-Use

Suburban mixed-use works best not as a stand alone project but integrated into smaller suburban downtowns with historical character and good public infrastructure.



Challenges of Mixed-Use

- Parking is and will remain the chief challenge of mixed-use developments
 - People want walkable spaces but they also still want their cars. Many mixed-use developments are places that people drive to and walk.
 - Constructing parking is frightfully expensive
 - Underground parking - \$15,000-\$25,000 per space
 - Pre-cast above-ground parking - \$10,000-\$15,000 per space



Challenges of Mixed-Use

- Future Parking Solutions
 - Timesharing cars
 - Building much smaller parking spaces
 - Timesharing spaces
 - Eliminating reserved parking
 - More realistic building code requirements



Challenges of Mixed-Use

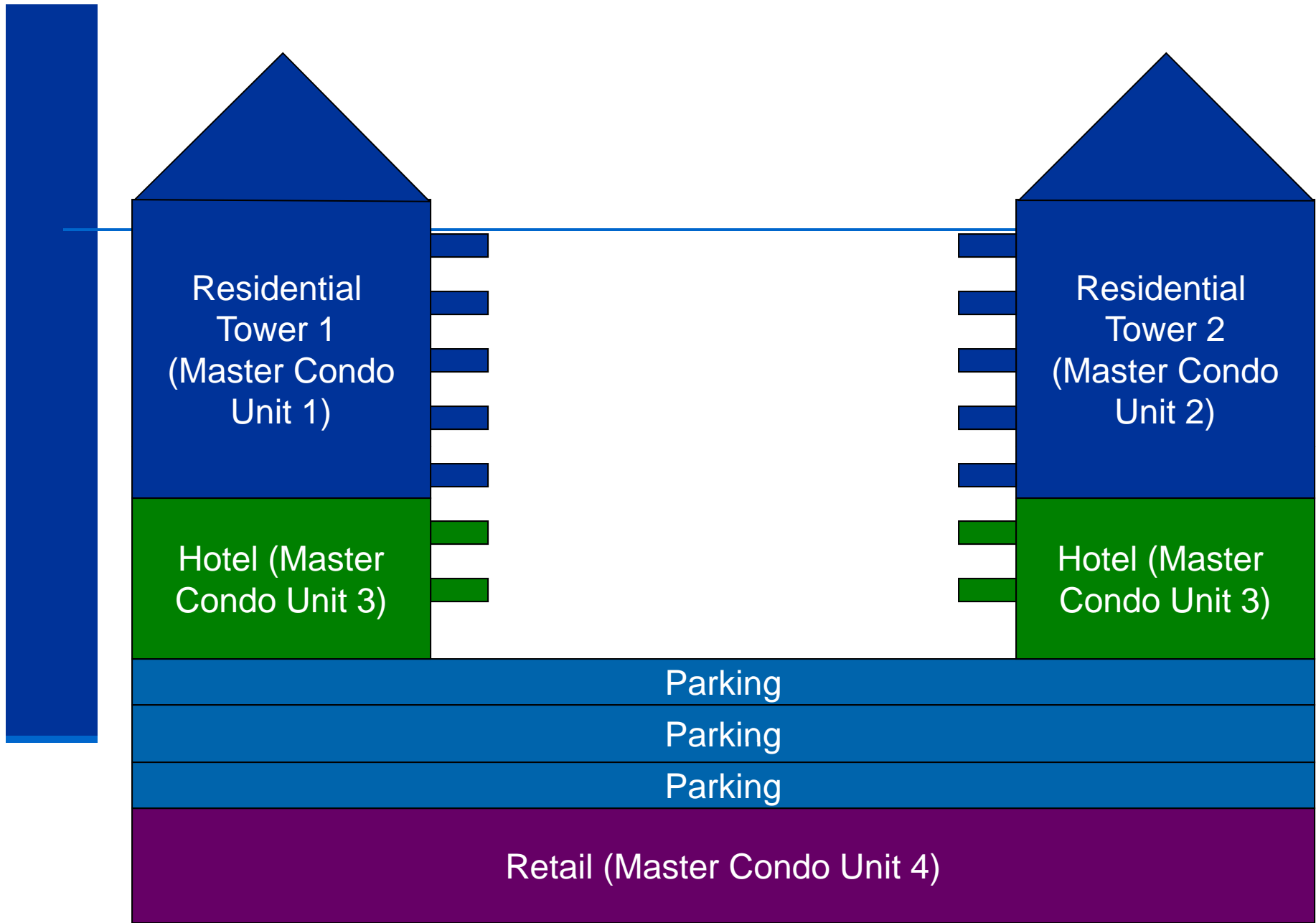
- Wrapping buildings around pre-cast above-ground parking appears to be the solution of preference for now
 - Uses too much land
 - Destroys ability to create exciting, private spaces

Challenges of Mixed-Use

- More attention needs to be paid to sound, light and smell attenuation in the construction mixed-use developments
 - Wood frame construction as the transition between retail and residential simply does not work
 - The market is addressing through litigation what building codes have not yet addressed

Challenges of Mixed-Use

- Most vertical mixed-use developments are organized as complex master condominiums

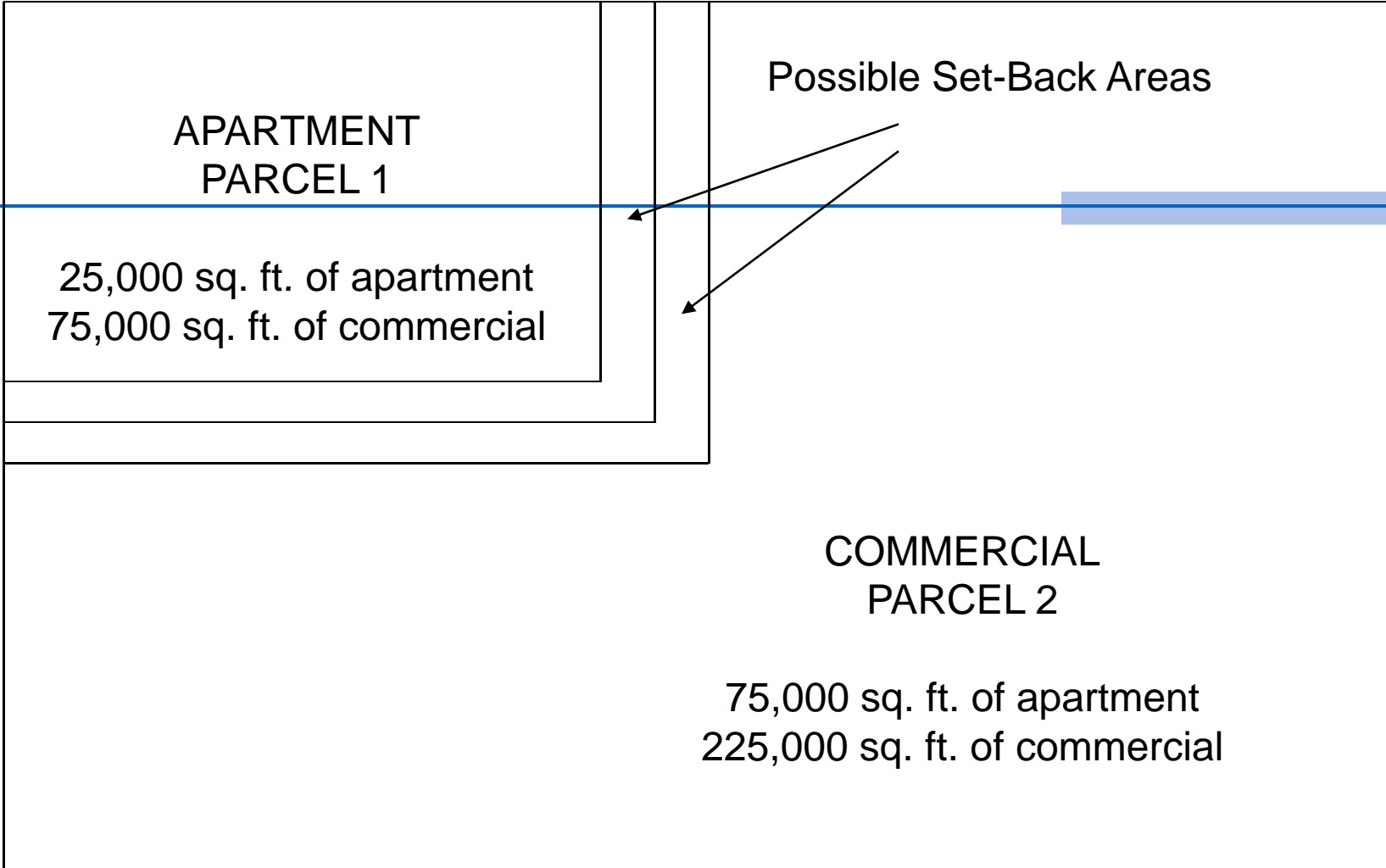


Challenges of Mixed-Use

- This legal structure is largely used for two reasons:
 - A condominium is not a subdivision of real property
 - A condominium is the best way to describe real property of which is being divided both vertically and horizontally

Challenges of Mixed-Use

- Avoiding the subdivision of the property can normally increase the amount of permitted development on the property



Total Site Entitlements: 100,000 sq. ft. of Apartments
300,000 sq. ft. of Commercial

CONDO UNIT 1

APARTMENT
PARCEL 1

100,000 sq. ft. of apartment

CONDO UNIT 2

COMMERCIAL
PARCEL 2
300,000 sq. ft. of commercial

Total Site Entitlements: 100,000 sq. ft. of Apartments
300,000 sq. ft. of Commercial

Challenges of Mixed-Use

- If a Master Unit is submitted to a subcondominium regime, it can result in a condominium within a condominium.



Challenges of Mixed-Use

- In a typical vertical mixed-use development, we are seeing each owner wanting separate parking, separate lobbies, separate ingress and egress, separate elevators, separate utilities, separate common areas, etc.
 - It is almost as if we are subconsciously trying to separate and silo the very uses that were supposed to create vibrancy by being mixed together

There Are Lots of Complicated Issues in the Operation of a Master Condominium

- Who is the best person to control the mixed-use development?

There Are Lots of Complicated Issues in the Operation of a Master Condominium

- What is the best way to insure the mixed-use development against losses from fires and other casualties?

There Are Lots of Complicated Issues in the Operation of a Master Condominium

- Should the exterior skin of a mixed-use building be maintained by each component or by a master association?

There Are Lots of Complicated Issues in the Operation of a Master Condominium

- Who should maintain the roof in a vertical mixed-use development – everybody under the roof, or just the user directly under the roof?

There Are Lots of Complicated Issues in the Operation of a Master Condominium

- How do you best protect the small component owner in a mixed-use development (i.e., retail against the potential abuse by the majority component owner (i.e., residential))??

There Are a Lot of Complicated Issues in the Operation of a Mixed-Use Development

- How do you identify and mitigate the negative effects of each use in a mixed-use building vis-à-vis the other uses?
 - Sound
 - Light
 - Smell

There Are a Lot of Complicated Issues in the Operation of a Mixed-Use Development

- What is the best way to operate a shared parking facility serving a mixed-use development?

There Are a Lot of Complicated Issues in the Operation of a Mixed-Use Development

- How do you develop a uniform architectural control system without overly restricting the retail user?
- Is a uniform system necessary?

There Are a Lot of Complicated Issues in the Operation of a Mixed-Use Development

- When a portion of the mixed-use development is going to be used by less than all of the components, is it better to let the components worry about operating and paying for the area, or should a master association do it for the components?

There Are a Lot of Complicated Issues in the Operation of a Mixed-Use Development

- How do you best insure that every component has access to the portions of the mixed use development that they need to operate (i.e. service elevators, trash dumpsters, service delivery bays, life safety equipment, telecommunications equipment, electrical rooms, etc.) without having unlimited access to the entire development?

There Are a Lot of Complicated Issues in the Operation of a Mixed-Use Development

- How do you come up with an equitable method of sharing specialized services (i.e. concierge services, valet parking, security) serving different components in a mixed use development?

There Are a Lot of Complicated Issues in the Operation of a Mixed-Use Development

- How do you best provide security in a mixed-use development?

There Are a Lot of Complicated Issues in the Operation of a Mixed-Use Development

- How do you balance the need for uses in a mixed-use development to change over time without negatively impacting the other uses?

There Are a Lot of Complicated Issues in the Operation of a Mixed-Use Development

- How do you account for all of the building components serving one unit intruding into another unit (elevator shafts, plumbing and sewer system, HVAC systems, trash chutes, fireplace flues, structural supports)?

Mixed-Use

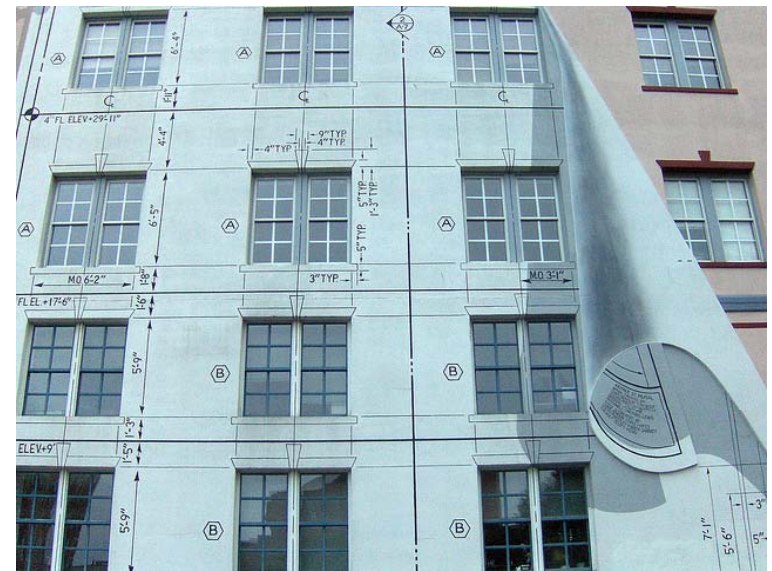
- Trend
 - More horizontal mixed-use rather than vertical mixed-use
 - More two-use buildings
 - Missed opportunity?



Mixed-Use

The downturn has made lenders realize that they don't understand mixed-use or the legal structures on which they have been lending

- Declarant rights
- Architectural control
- Who may submit a phase
- How long they have to submit a phase



Mixed-Use

- We need to do a better job attracting families with children to mixed-use
 - Families with children are the missing cohort in mixed-use developments
 - Challenges of schools
 - Challenges of design
 - We are not designing for families with children
 - Should there be density bonuses for children friendly design
 - Opportunities for onsite daycare and supervision of children

Thank You

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