

Keys to Successful Mixed-Use and Infill Development

by James W. Andrew and Charles A. Long

The Urban Land Institute (ULI) has studied hundreds of real-world examples that illustrate how communities and developers have successfully used mixed-use development to create vibrant places that enhance the quality of life. According to the research, such success relies on communities building new skills and knowledge of the planning and economic solutions associated with infill development.

Identifying the Challenges

Understanding potential constraints at the outset so that they can be addressed during the planning and entitlement process is a key factor in successful projects. Making such development happen is difficult because of its economic and physical complexity. The primary challenges include:

- **Community acceptance.** Residents sometimes oppose higher density development due to concerns that it breeds crime and congestion and fundamentally changes the character of the community.
- **Entitlement risk.** Controversy can extend the time for developers to complete the entitlement process and thus increase their financial risks, which include losing their investment — either in land or costly studies — and potentially ending with no entitlement or

having development conditions imposed that are not economically feasible.

- **Parking.** Costs for structured or underground parking frequently result in projects that are not economically viable.
- **Resizing infrastructure.** A single high-density infill project may overburden the water and sewer system and parks and roads serving the area. Having a single project bear the entire cost of resizing the infrastructure can make the project an economic non-starter.
- **Financing challenges.** When the retail component takes much longer to sell or lease than the residential component, the project will face difficulty in obtaining financing. In addition, it can be difficult to close sales on condominium projects because the federal agencies that guarantee residential mortgages require a significant percentage of committed pre-sales before they will fund loans for closing.
- **Conflicts among uses.** Parking-related conflicts between residential and other uses are common, as are residents' complaints about noise from bars and odors from restaurants.
- **Too much density.** Some developers try to achieve densities that are higher than optimal for the location or than the market can support, resulting in community opposition and projects that don't make economic sense.

Finding Solutions

How do communities overcome these challenges? Mixed-use and infill development offer many advantages and ways to respond to changing attitudes, demographic shifts, economic/energy imperatives and greater demands from residents for a quality community. Here are some specifics of how successful communities approach the challenges.

First, engage the community. Successful mixed-use development starts with community understanding and commitment. This means involving residents, developers, businesses, environmentalists — in other words, *all* stakeholders — in a dialogue about how mixed-use development can offer the means to achieve community goals.

Address the project economics during community planning. A successful planning process goes beyond land use and addresses economics, the market and infrastructure funding. For example, effective planning recognizes the critical importance of phasing in the infrastructure and amenities in completed segments as the development proceeds, taking into account market cycles and the time it takes to complete a larger mixed-use project. It also addresses the issue of the appropriate density in terms of market support.

Set high development standards. As part of the final plan, communities

James W. Andrew is a land-use attorney at the San Francisco office of Buchalter Nemer and can be reached at <jandrew@buchalter.com>. Charles A. Long is a San Francisco Bay Area-based mixed-use infill developer and a former California city manager; he can be reached at <charlesalong@gmail.com>. Andrew and Long are co-chairs of the Urban Land Institute San Francisco District Council Sustainability Committee.



should not be afraid to impose high development standards even if they cost more; in the long term, higher development costs result in adjustments to land prices and create long-term value. If the costs of development are clear before a developer buys the land, the developer can build those costs into the project budget (called a pro-forma). High quality development will ultimately pay for itself with an improved quality of life and greater long-term community value.

Simplify the process for developers.

Infill areas evolve best on a foundation of thoughtful, upfront planning that includes parks, schools, employment and commercial elements. Long-term, consistent plans make it easier for mixed-use development to occur than making each project fight its way individually through the development review process. According to the Greenbelt Alliance, a San Francisco Bay Area advocacy group for open space and vibrant places, “By streamlining permitting and construction processes, getting departments to work together to promote infill and ensuring that requirements are consistent, cities can smooth the way for good development.”

Prepare for public-private partnerships where appropriate.

The scope of mixed-use development may require public-private partnerships that leverage private investment to create community benefits. Many communities have used land-secured financing, such as community facilities districts or assessment bonds, to create a fair spread of the cost of new

infrastructure among the properties that benefit from it. In some cases, public co-investment in theaters, plazas or parking catalyzes a project’s economic vitality. And in other situations, using tax-increment financing can address economic “gap” issues, including the long lead time needed to lease or fill retail space. Understanding the market in the community, the fundamentals of real estate economics and how to responsibly deploy public-sector tools can help an agency determine when using public resources is justified by the net public benefits that are created.

Putting It All Together

Mixed-use development is harder to execute successfully because it is inherently more complicated physically and economically than the type of development many communities have historically experienced. But ULI’s research on successful projects shows that mixed-use development, in the context of a community-based plan that addresses the economic, financial and infrastructure issues, makes communities more desirable places to live and responds to the environmental, social and economic challenges facing cities today. ■



About the Urban Land Institute

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