



Mangum 506, a 21-unit mixed-use residential project, is located on the site of a former vacant parking lot at the edge of downtown Durham, North Carolina.



LITTLEINFILL

SAM NEWBERG

Small, mixed-use infill projects are becoming favorites of the planning and development industry because of their compact urban scale, innovative design, and positive impact as catalysts for their neighborhoods.

MIXED-USE URBAN INFILL developments—small in scale, often comprising far fewer than 100 housing units and 10,000 square feet (929 sq m) of commercial space on less than an acre (0.4 ha) of land—can aptly be termed “little infill.” They don’t fit neatly into real estate investment categories, as some are affordable, others market-rate, some for-sale condominiums or townhouses, others live/work, some standard retail, and still others small-scale incubator space. They often don’t have high building efficiency or produce quite the margin levels developers seek, but they are favorites of the planning and development industry for their compact urban scale, inno-

vative design, and positive impact as catalysts for their neighborhoods.

If demographic forecasts by the University of Utah’s A.C. Nelson and others are correct and there indeed *is* demand for nearly 20 million attached housing units by 2025, and if it’s true that close to 3 million acres (1.2 million ha) of greyfield infill sites will become available for redevelopment in roughly the same time frame, then it seems as though supply and demand for small infill projects could be in perfect balance—maybe.

“The pegs are bigger than the hole,” is how Michael Lander, a developer and founder of the Minneapolis-based Lander Group,

frames it. Lander believes the regulatory process is too siloed for cities to accommodate forecast demand for urban infill. His observation may be accurate in a number of cities, but it also takes a skilled developer to not only negotiate city hall, but also manage challenges to planning, site design, architecture, lending, market knowledge, and the neighborhood approval process.

“The city never reviewed a project like this before,” explains architect Scott Harmon, one of three partners developing the Mangum 506 project on the edge of downtown Durham, North Carolina. Although the municipality’s comprehensive plan and zoning allowed the 21-unit project with four retail spaces, there were regulatory barriers. The city’s solid waste department required a project of its size to include two Dumpsters. The transportation department would not let a Dumpster truck pull into the site and back out, but rather insisted it be able to drive through the site—something more easily accommodated in less dense suburban environments.

In addition, the major street passing in front of Mangum 506 is a one-way collector road that is part of the state highway system. Not only is there no parking allowed on the street, which hampers the leasing of retail spaces, the state highway department required a diagonal section to be removed from

the building design so that vehicles on the cross street would have a better view of traffic on the one-way collector road—again, a rule that works better in a suburban context. The garbage issue was solved by a city compromise, but the developer did lose a 25-foot (7.6-m) portion of the 506 Mangum building. However, the rule applies only to the first story of the structures, so no square footage was lost on the second and third floors.

Elsewhere in Durham, another of the development partners of 506 Mangum, Susana Dancy, is proposing a live/work project. Although live/work units are allowed by zoning, the parking requirement is quite onerous, as residential units are required to have two parking spaces and each individual work-space is required to have three, so each unit is required to have a total of five parking places, something Dancy refers to as overreaching and inflexible. The city of Durham offers prime examples of the kinds of regulatory issues faced by developers in countless cities that encourage small infill development projects in principle, but that enforce codes that can create major hurdles.

Getting neighborhood approval is often a challenge as well. For the Lander Group's West River Commons project in Minneapolis, Lander reports that he attended 45 public meetings, primarily with immediate neighbors who objected to the project—in spite of support from the city and the larger neighborhood organization. "The building is 60 stories tall in their mind," he says, noting people's inflated fear of how a proposed project will negatively affect their neighborhood. Although Lander believes that 45 meetings is excessive, some of the feedback from neighbors was not entirely negative, he concedes, and even helped to improve the project's design. He strongly advises having a neighborhood champion for the project from the beginning.

"Community is what we're all about," emphasizes Johnny McDonald, a Realtor with Onion Flats in Philadelphia, a developer that has built numerous small infill projects, including Rag Flats and Thin Flats. (See cover and page 40, August 2009.) McDonald indicates that Onion Flats always approaches the neighborhood first, fully expecting feedback that will result in revisions. "Rarely do we get

a, 'Yeah, great, beautiful, go for it,' response," he notes, but McDonald concedes that their projects are stronger as a result.

Depending on circumstance, the neighborhood can be an ally rather than a deterrent. For instance, when Portland-based Kemper Development proposed a 16-unit condo building with 18,000 square feet (1,672 sq m) of ground-floor retail space in the Hawthorne neighborhood of that city, the neighbors strongly supported it over an alternative proposal for a single-use McDonald's restaurant.

Small infill developments don't necessarily need to feature award-winning architecture, but it helps if the design is functional and marketable, adds to the project's context, and improves the urban fabric. West River Commons in Minneapolis includes 53 apartments, 8,000 square feet (743 sq m) of retail space, and three for-sale townhouses on a one-acre (0.4-ha) site, with all off-street parking located under or behind the structures. The four retail spaces share a common corridor that pro-

Thin Flats, consisting of eight two-story duplexes, stacked in pairs, is located between rowhouses in the Northern Liberties neighborhood near downtown Philadelphia.



Ten Principles for Small-Size Infill

1. Go to the neighborhood first. Neighborhood opposition can often not be avoided, but it can help to get a resident in the immediate area to champion the project.
2. A comp plan that encourages mixed use is not enough. Work with a city that has good interdepartmental cooperation and codes that support small-scale infill development, or—better yet—one that expedites good urbanism.
3. Do the market research. Be realistic about rents and/or sales prices. There may not be direct comps, but measure the risk needed to take—and do not overreach.
4. Do not over-program mixed-use space for retail. Nothing makes a mixed-use project look like a failure like empty storefronts as the result of an overly optimistic development team.
5. Activate the public realm. Provide multiple entrances to commercial and residential space from the sidewalk. If possible, create a quasi-public outdoor space as an amenity for not just the project, but also the neighborhood.
6. Be realistic about parking. Provide enough off-street parking for retail space. Parking is expensive, and high-profile tenants such as restaurants will demand it, but do not overdo the parking spaces, particularly if on-street parking is available nearby.
7. Retail entrances from the sidewalk are important to create a sense of place, but be sure that retail access is easy from parking areas.
8. Innovative design has its place, but the building does not have to always stand out. It is often better to be a good fit within its surroundings.
9. Find a lender with experience in mixed-use development.
10. Hire a marketing team with sensitivity to the local market.



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vides direct access from the customer parking, making the shops and restaurants accessible to those arriving by car or bike or on foot.

Artisan Lofts on Central, located just north of downtown Phoenix along its new light-rail line, was developed by Eric Brown, principal of Artisan Homes, a Phoenix-based developer. With 40 condominium units situated above a ground-floor restaurant, the site called for a pedestrian-friendly design as well as sufficient off-street parking and convenient access for customers. Surface parking for the restaurant is provided along the side of the building, although the view of the lot from the sidewalk is screened and the pedestrian realm enhanced by an outdoor patio.

At Saltillo Lofts in Austin, Texas, a row-house-style design was used for the residential project rather than a more conventional design with an interior corridor. All 29 residential and the nine commercial spaces below have a ground-floor entrance, either facing inward to a courtyard or outward to the street, which helps

Artisan Lofts on Central, with its 40 condo units above a ground-floor restaurant (right), is located just north of Phoenix along its new light-rail line. The Hawthorne, a mixed-use development with residential above retail, has a prime location in a popular Portland, Oregon, neighborhood (facing page).

activate the pedestrian realm. Saltillo Lofts, developed by Constructive Ventures and designed by Hailey Johnson Architects—both locally based firms—used relatively basic materials to keep costs down, but also included colors and design flourishes to help give the project an “edgy” feel. Saltillo Lofts is not located on major thoroughfares, and there is no off-street



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West River Commons in Minneapolis, Minnesota, includes apartments, three townhouses, and retail space with a common outdoor space (facing page). At Saltillo Lofts in Austin, Texas, ground-floor commercial space is located below 29 residential units (left). Park East Enterprise Lofts in Milwaukee, Wisconsin, offers a combination of affordable and market-rate apartments and commercial space. Ground-floor residential units are designed as live/work spaces (below).

parking dedicated to commercial space, so the commercial spaces were designed and positioned accordingly and include an acupuncturist, a massage therapist, a hair salon, an attorney's office, an art studio, a marketing firm, and a boutique women's clothier.

In Milwaukee, Park East Enterprise Lofts, developed by Madison, Wisconsin-based

Gorham, contains a combination of affordable and market-rate apartments in addition to less than 2,500 square feet (232 sq m) of retail space. Ground-floor residential units at Park East are designed to be live/work spaces, a concept that has been popular with a number of tenants who work from home, notes Ted Matkom, developer with Gorman. Some, he



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notes, have even "hung a shingle" to advertise their business outside of their live/work units.

Matkom also points to the challenges of leasing the 2,500 square feet (232 sq m) of commercial space at Park East with no dedicated off-street parking. As a result, it has taken longer than expected to attract tenants, and even then, he notes, the developer had to pay for the buildout of the space. Matkom observes that this is a common problem with new mixed-use projects in cities, where a combination of a lack of parking and/or critical mass of foot traffic hampers leasing of retail space. Commercial space has proven to be the most successful at small-size infill projects when the right balance of tenants, design, and parking is achieved.

Little infill projects require knowledge of the micro-market of a neighborhood to get pricing and rents right. For example, even though Kemper Development's Hawthorne

What Will the Urban Hotel of the Future Look Like?

LOOKING BEYOND the economic recovery, urban hotels will increasingly include more of the comforts of home, more often be in renovated buildings, may share services with other hotels or be part of a mixed-use development, be more connected with the community, and be greener.

“For the hotel industry, 2009 was like trying to catch a falling knife,” observes Art Adler, managing director and CEO of Jones Lang LaSalle Hotels Americas, based in New York City. Joel Eisemann, executive vice president of lodging development at Bethesda, Maryland-based Marriott International, agrees. “People are really focused on the next couple years,” Eisemann notes.

Despite the economic downturn, the hotel industry has an eye on the future. Adler explains, “In order to consider the next 20 years of urban hotels, you must look at the last 20.” He points out that urban hotels used to be luxury/upscale or convention hotels, and that is less so the case of late. “In the past few years, you’ve started to see more mid-priced and economy hotels in central cities,” notes Adler. Added to that is a proliferation of boutique and independent hotels catering to customers seeking a unique urban experience. “People want to be in urban locations,” he reports.

“It’s not the age, it’s the psychology,” suggests Eisemann, indicating that customers of all ages are increasingly look-

ing for an urban hotel experience. “They want everything they have at home, and maybe a little more.” As a result, urban hotels are not alone in offering more in the way of attractive common areas, free wi-fi (at least in the lobby), flat-screen televisions, iPod docking stations, and 24-hour business centers. Adler says he won’t be surprised if internet phone access and on-demand television services become standard in the coming years. Other future improvements could include seamless check-in, where the bellhop meets guests at the curb or door with a handheld device that allows for checking in curbside. Technology, in time, may also allow rooms to be made up according to guests’ food/beverage and entertainment preferences.

“People are looking for a sense of place that is reflective of the location,” observes Eisemann. “In urban locations, we are looking to bring in the local environment to the hotel.” Artwork and local design elements are two examples as hotels increasingly feature artwork with some sort of connection to the city in which they are located. The Blackstone Hotel in Chicago, for example, developed by Denver-based Sage Hospitality, includes works created by local artists.

Another way urban hotels are increasingly providing a connection to the community is with their restaurants, especially with better-known chefs. This helps give



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Urban hotels will increasingly be located in renovated buildings. Aloft Dallas Downtown is located in the former Santa Fe terminal and commercial dry goods warehouse.

the hotel a “buzz” in the local market and can serve to make it a destination for residents of that city.

As mid-priced and even limited-service hotels are increasingly developed in urban areas, many are located at the edge of downtown areas rather than in the core of the central business district. Land prices and high development costs dictate this. For the same reason, hotels also are increasingly becoming part of mixed-use projects. In downtown Chicago, for instance, Marriott developed a Springhill

project was in an established popular neighborhood in Portland, there was still no precedent for condo sales in the area. As a result, the developer based pricing off the well-established and popular Pearl District, adjusting pricing down for value. Saltillo Lofts and 506 Mangum followed a similar strategy, as they took advantage of untapped markets.

Lending for these smaller infill projects can create problems, as criteria are often different

for the variety of uses proposed. Creative solutions are often necessary, and some developers even create pro formas that show zero occupancy in commercial space for a period of time, or include the buildout of commercial space in the larger residential portion of the project. Project financing will continue to be an issue in tighter lending conditions.

The rewards of developing small-size infill projects can be many, suggests Lander who

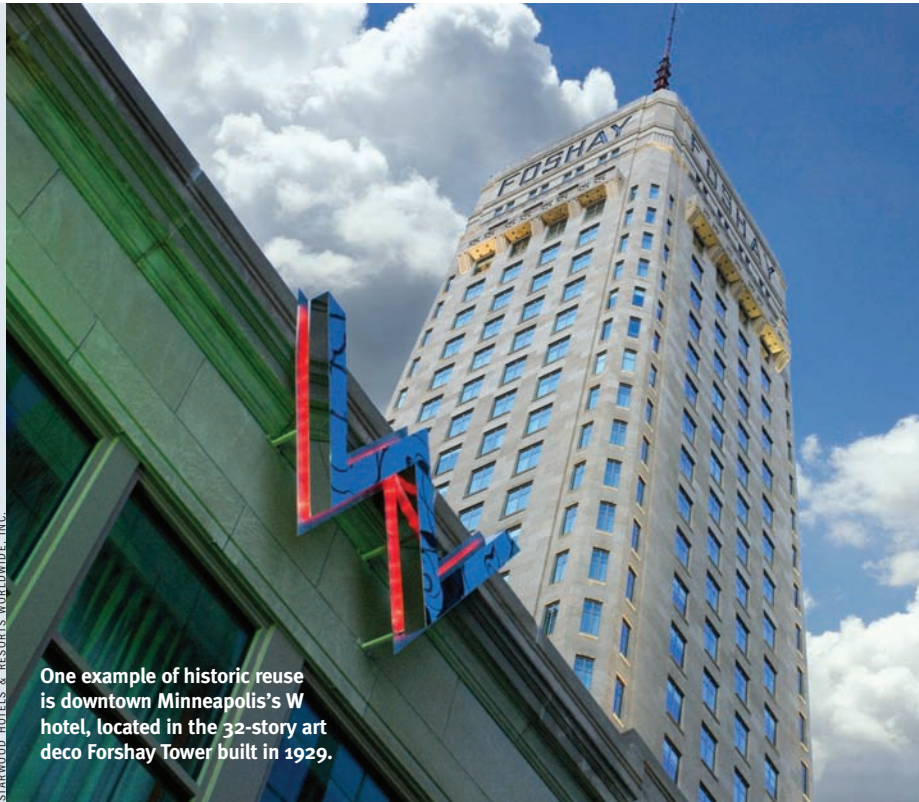
relates the story that when West River Commons was finished, a man approached him at the grand opening ceremony; Lander recognized him as one of the immediate neighbors who had been viscerally opposed to the project. The man shook Lander’s hand and told him that his opposition was misplaced—instead, he loved the development and noted that it added to the character of the neighborhood.

Suites and Residence Inn that share a site and “back-of-house” areas, such as laundry, catering, kitchens, and the like.

Another mixed-use project is the Nines, in Portland, Oregon, developed by Sage Hospitality, an adaptive use of the 1908 Meier & Frank department store. The hotel, part of Starwood’s Luxury Collection, occupies the upper floors of the building, and Macy’s occupies the lower floors. Ken Geist, executive vice president of Sage Hospitality, predicts that creative mixed use and adaptive use of structures will become more common, especially in urban areas where land is so valuable.

Even after an economic recovery, notes Adler, the industry should see more renovations of not just historic buildings [see “Hotels Remaking History, page 48], but also obsolete office towers that may be only a couple decades old. Examples of recent adaptive use of buildings converted into hotels include Dallas-based Starwood, whose brands include Westin, W, and the newer Element and Aloft brands. In Dallas, Starwood recently opened an Aloft in the former Santa Fe freight terminal and commercial dry goods warehouse. According to Simon Turner, president of global development for White Plains, New York–based Starwood, “Historic reuses not only provide an opportunity to renovate a deserving historic structure, but often provide the ability to enter a market where a new-build is cost prohibitive.”

Another example is the W in downtown Minneapolis, which opened in 2008 in the 32-story art deco Foshay Tower originally built in 1929. Turner suggests that their



One example of historic reuse is downtown Minneapolis’s W hotel, located in the 32-story art deco Foshay Tower built in 1929.

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Aloft and W brands can especially take advantage of historic reuse in urban locations due to their design aesthetic and attractiveness to savvy travelers. “These properties have been great workshops for the adaptive use concept,” he points out.

Eco-tourism, traditionally thought to involve lush or rustic locations far from cities, is increasingly popular among travelers to urban locations. The Lenox Hotel in Boston, for instance, recycles graywater for dishwashing. In Greensboro, North Carolina, the Proximity Hotel, newly constructed and certified LEED Platinum, includes rooftop solar panels for hot

water, and elevators that generate their own electricity through braking. URBN Hotels, the first of which is now open in Shanghai, China, are carbon neutral, through a combination of energy-efficient measures and the purchase of carbon credits to offset emissions.

Expect urban hotels of the future to be more connected, both to technology and the community; to be more creative in terms of mix of uses and adaptive use of buildings; to be greener; and to feel more like home.—S.N.

“Developers must be nimble,” says McDonald of Onion Flats in Philadelphia, describing the various obstacles facing developers of smaller infill projects. Margins are already thin, subsidy is often required, and economies of scale are an issue. In addition, there are drawbacks like finding unexpected contamination, working with a lender unfamiliar with mixed use, having the city require a costly improvement such as elevators or parking, over-retailing the project, or even fac-

ing the opposition of a motivated neighbor—all factors that can scuttle a deal.

While the development of little infill projects is not necessarily easy, in the next decade and beyond there should be opportunities in cities for development teams to create a variety of product types that suit urban and inner suburban locations. Indeed, if the forecasted demand for housing on infill sites is to be satisfied, it may take a concerted effort

from architects, planners, lenders, municipal staff, and neighborhood activists to accommodate the predicted demand. **UL**

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