

LET'S TALK BUSINESS

Ideas for Expanding Retail and Services in Your Community

Issue 48
August 2000

Mixed-Use Developments: A Renewed Opportunity for Retail and Services Businesses

Summarized by
Bill Ryan*

A mixed-use development is a real estate project that contains two or more uses in a single facility or development area. It typically involves a dense and efficient use of land, consistent with principles of "smart growth." It is different from single-use, detached facilities that are service inefficient and lead to sprawl and congestion.

Mixed-use projects are gaining popularity in both large and small cities. Retail and service businesses are often an important component in these developments. This article summarizes recent discussions on mixed-use development as reported in [Community Dividend](#), a publication of the Federal Reserve Bank of Minneapolis.

Historic Perspective

At the turn of the century, mixed-use buildings were common in all communities, often providing upstairs residences and street-level retail and service businesses. This design provided convenience for people to work and live before the era of the automobile.

Changes in land-use patterns and public preferences in the mid 1900s resulted in local zoning codes and ordinances that encouraged separation of residential, commercial and industrial developments. Mixed-use buildings lost their popularity. However, today renovation and new construction of mixed-use properties is on the rise in response to demand.

Today's Mixed Use Projects

A mixed-use development can be a single building in a small town with retail on the bottom floor and an

apartment on the second floor. On a larger scale, an "urban village" can include office, retail, medical services, apartment or condominiums, senior housing, lodging, recreational, and industrial uses in one development. Occupants can be a combination of owners and/or renters.

Combining different uses in a single development fills an important market niche in many of our communities. Changes in demographics, including the number of recent immigrants and an increasingly older population, contribute to the appeal of neighborhoods that provide housing, employment, and business services within close proximity. Mixed-use developments re-



The Middleton Hills community near Madison, WI offers business operators the opportunity to live and work in the same building.

spond to our growing societal preference to use land more efficiently, to enhance or redevelop underutilized properties, and to provide more convenience in an increasingly hectic world.

Benefits to a Community

Mixed-use projects that contain retail or service businesses provide an alternative to single-use buildings and strip shopping centers. These unique places where people can live, work, play and meet everyday shopping and lifestyle needs can benefit a community as follows:

- Create a sense of place and provide more interaction among people;
- Increase economic vitality and expand market opportunities;
- Support long-term economic stability by strengthening the tax base, job market, and business opportunities;
- Increase transportation options such as walking, biking, or bussing;
- Maximize use of land and public infrastructure (i.e. roads, water, sewer);
- Allow people to use facilities at different times for different purposes;
- Provide affordable and market-rate housing options;
- Encourage historic preservation, re-use, and redevelopment of existing buildings.

In addition to these benefits, owners and operators of retail and service businesses can benefit from increased customer traffic generated by other occupants and users of the development.

Barriers facing Mixed-Use Development

Since retail and service site-selection criteria for many years has focused on single-use commercial locations with clear signage, easy access, and plenty of parking, multiple-use projects may be viewed as risky or unproven locations. As it is often difficult to find comparable mixed-use properties, it may be difficult to demonstrate the market potential of these projects.

Some developers are finding it difficult to finance such projects. Lenders must study each component separately, as well as the synergy created by mixing uses which adds significantly to the complexity of analysis. Lenders must draw on expertise from residential mortgage banking, commercial real estate, and small business lending. Nevertheless, mixed-use developments make more sense today than in the recent past.

Local government can play an important role in promoting mixed-use development by organizing and controlling de-

Example Mixed-Use Development: Hibbing, MN

The Androy Hotel was originally established as a grand hotel in 1921. Located in Hibbing, MN, the four-story building has been a landmark on northern Minnesota's Iron Range for three-quarters of a century. Like many hotels of the era, it eventually fell into disrepair before closing in the late 1970s. Now the property has come back to life as a mixed-use development.

In 1994 and 1995, the Androy Hotel was renovated into commercial space and low-income housing for seniors. The first-floor commercial space includes 2,000 square feet of office space; 5,000 square feet used as a banquet facility; and 3,000 square feet used as a community room for senior residents. The commercial space includes a large lobby and sitting area, as well as a meeting room with kitchen facilities. The commercial space features much of the hotel's original architectural detail, including terrazzo floors. The top three floors of the former hotel were renovated into 49 one- and two-bedroom apartments for low-income seniors.

Investors received both historic and low-income housing tax credits for the renovation which were used to provide equity for the project. Financing also consisted of a second mortgage using Community Development Block Grant funds.

velopment standards to encourage such projects, and provide ongoing support through zoning flexibility, financing, and site assembly.

Conclusion

The combining of retail and service businesses with other uses is a traditional concept that is finding renewed interest in both large and small cities. Mixed-use projects are responding to market demand for places where people can live, work, play, and meet everyday shopping and lifestyle needs in a single place. While single-purpose facilities have proven efficient for many retail and service businesses, some argue that they have contributed to the atrophy of community and neighborhood activities. Mixed-use developments may prove to be an economically viable alternative for businesses while benefiting the community at the same time.

Source:
Community Dividend, Federal Reserve Bank of Minneapolis, Winter 1998/1999 articles include: "Mixed-Use Development: Through the Lenders' Looking Glass, The Future of Mixed-Use Development: A Developer Shares His Views, Mixed-Use Development Profile: Edina, Minn., Mixed-Use Development Profile: Hibbing, Minn., Mixed-Use Development Conference." Issue No. 3/1999 article: "Partnerships and Financing are Key to Mixed-Use Development." For full articles, see: <http://www.minneapolisfed.org/pubs/cd/index.html>
Urban Land, August 1993, "Putting Community Back Into Community Retail," Alex Achimore

* Articles summarized by Bill Ryan, community business development specialist with the UWEX Center for Community Economic Development. Newsletter production by Alice Justice, program assistant with the UWEX, Center for Community Economic Development.

Center For Community Economic Development, University of Wisconsin-Extension

610 Langdon Street, Madison, WI 53703-1104

PH: (608)265-8136; FAX: (608)263-4999; TTY: (800)947-3529; HTTP://WWW.UWEX.EDU/CES/CCED

An EEO/Affirmative Action Employer, UW-Extension provides equal opportunities in employment and programming, including Title IX and ADA requirements.