



**SMITHGROUP**

**FUELING A NEW  
MIXED-USE STRATEGY:  
CONVERGENCE**

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District Wharf, Washington, DC

# MIXED-USE DEVELOPMENT ... WHAT'S NEXT?

Evolving markets, emergent technologies, and shifts resulting from the sharing economy are fueling major disruptions that challenge past assumptions about developments. These changes warrant a new perspective on the role of mixed-use developments, once a collection of divergent uses, now a blurring of boundaries, thus convergent uses.

Uses and users are increasingly dynamic and becoming more diverse than ever before, with healthcare, senior living, research incubation, and cultural uses a growing part of the traditional mix. With a multidisciplinary team of strategists, architects, urban planners, landscape architects, and site engineers all under the SmithGroup umbrella we do more than plan and design individual sites and buildings for mixed-use purposes. Our expertise allows us to uncover the essence of mixed-use and look holistically at a development's linkages to its surrounding context, larger social and economic systems and potential disruptors, while

also considering small-scale design interventions that provide major transformative impacts. The full benefit of these internal resources and our combined, convergent approach creates opportunities our clients never imagined.

As designers, we aspire to solve the issues that matter most to our clients. To advance this goal, SmithGroup established Client Advisory Boards – a unique platform for exploring ideas with organizations at the forefront of today's most pertinent business challenges. From these provocative conversations, we align our design approach with future thinking infused by our clients' perspective. Recently, we convened a group of developers, property managers, city planners and end-users in an engaging exchange of ideas. The focus of the conversation was *Convergence: The Future of Development*. The following is a summary of what we learned from our interactive work session.

## CURRENT STATE

- Amenities, amenities, amenities replaces location, location, location.
- What people seek is an experience—urban or suburban.
- All generations are seeking the mixed-use lifestyle, not just Millennials.
- Work has transcended the office.
- Last-mile transit opens up a world of possibilities.



## FUTURE STATE

- True convergence isn't everything in one place—the whole is greater than the sum of its parts.
- The preservation of economic and cultural diversity will produce authentic developments.
- Big data and technology impacts forthcoming.
- Future-proofing techniques and solutions are paramount.
- Equity and affordability will be key drivers in development.

# CURRENT STATE

Mixed-use developments have come a long way. Offices stacked on top of first-floor retail no longer cuts it. The market is demanding more. More amenities, branded environments, something for all generations, easy access, places to live/work/play and build community.

## AMENITIES ARE GOLD



“Location, location, location” has been replaced with “amenities, amenities, amenities.” Gone are the days where developments were successful strictly based on their address. Rob Speyer, President and CEO of Tishman Speyer puts it clearly “Developers are competing to win tenants via gold-star amenity packages.” And our clients couldn’t agree more. From pet services to community spaces to top-notch gyms, tenants want it all. Hovde Properties, a developer, owner, and manager of commercial and residential real estate, was the first to charge an upfront amenity fee in Madison, Wisconsin. The company knew they were taking a risk, but the tenants didn’t bat an eye.

## IT’S THE EXPERIENCE



Yes, urbanization is happening across the globe, we can’t deny that. However, there are still thousands of suburban towns across the country filled with people seeking the mixed-use development experience without the downtown zip code. Can car-centric towns create desirable, multi-faceted environments? We think so. And they are. David Krumwiede from Lincoln Property Company just delivered The Grand at Papago Park Center, and the pitch was simple, “all of the amenities you could ever want are here, plus, you can jump on the light rail and be downtown in five minutes without the hassle of driving and parking.” This model is being repeated across the country, but is it enough?

## ALL GENERATIONS



A lot of developers and landlords think mixed-use caters to the Millennial crowd. However, a 2016 Harvard study on housing showed that it’s actually Baby Boomers buying these new urban developments. The empty nesters with their nest egg in place are trading in their suburban lifestyle for something much more integrated. In Detroit, Michigan, powerhouse developer Bedrock has found that over 50 percent of those buying and renting in downtown are lifelong Detroiters of all ages, including the Boomers. They too want in on this next-generation of Detroit.

## WORK ANYWHERE

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Due to rapid advances in technology, shifting workforce demographics, and the internet of things, professionals know the difficulty in separating work and life. Work-life balance has been replaced with work-life integration. With the rise of the gig economy and generous telecommuting policies, it's no wonder these lines are blurring more and more each day. Robert Kerns, Development Division Chief from Alexandria, Virginia said that about 30 percent of the tenants in a recently delivered apartment building are doing business on-site. For the city, that begs the question of singular, isolated land uses such as residential versus office. The formulas developers and city planners have been using for several decades are changing...quickly.

## TRANSPORTATION

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With construction costs soaring, developers look to save money any way they can. One solution: reduce parking needs. We're all familiar with the popular ride-sharing apps, but other carpool sharing apps are constantly hitting the market and will change how we move about even more. San Francisco-based developer, FivePoint Communities partnered with Bosch to create apps that allow community members to set up internal carpooling systems. Anyé Spivey explains, "If I can reduce the number of parking spaces, I can subsidize folks who use these ride-sharing/carpool apps." But access to the information is just as critical. PN Hoffman included transit screens throughout The District Wharf in DC. These tactics are great solutions for smart, sustainable developments.

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# 140%

THE REGULAR WORK-AT-HOME  
[NON-SELF-EMPLOYED]  
POPULATION HAS GROWN BY 140%  
SINCE 2005, NEARLY 10X FASTER  
THAN THE REST OF THE WORKFORCE,  
ACCORDING TO GLOBAL  
WORKPLACE ANALYTICS.

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# 60M

ACCORDING TO STATISTA.COM,  
THERE WILL BE OVER 60 MILLION  
INDIVIDUALS WHO USE RIDE-SHARE  
APPS IN THE US BY 2020.

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"Technology and urban planning are truly starting to come together in a meaningful way."

- Lise Newman

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# FUTURE STATE

Mixed-use development is on the verge of major changes. Meaningful partnerships will create authentic, data-rich environments. Thoughtful planning, design and construction will allow buildings and cities to evolve over time. And diversity, equity and inclusion will be essential priorities.

## TRUE CONVERGENCE



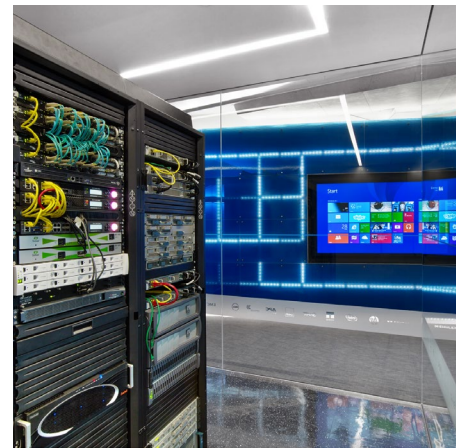
The possibilities for future development are endless. But the notion of working, living, and being entertained in the same location barely cracks the surface. For true convergence to occur, these entities must be planned and designed as a unified whole, in a cohesive and strategic manner. Partnerships between the public sector, developers, and institutions will become much more intentional. Developers and owners will partner with competitors to share assets – gold-star amenity packages, community kitchens, public plazas, parking, etc. Architecture will be more permeable. Vertical stacking of various uses will be embraced. Interstitial spaces and scale will be just as important as the architecture itself.

## AUTHENTICITY



Now people are simply looking for an experience. But as these developments multiply, developers and designers need to focus on authenticity. How do teams identify those elusive elements that resonate with both newcomers and long-term residents? The best visions will be both reactive and proactive – elevating the arts, culture, and fabric that exists while creating places of undeniable character. Adaptive reuse of historic and meaningful buildings will be commonplace. Ryan Gravel of Sixpitch put it best, “Cities are these great, beautiful places rich in culture and diversity of every kind. The real challenge is avoiding the cultural homogenization of cities. The preservation of the cultural and economic diversity is critical to the future.”

## BIG DATA & TECH



Currently, technology systems in the built environment are extremely fragmented. Most systems are intentionally disconnected from one another, leading to a collection of one-off systems in a single building, let alone development or city. The future of technology in the built environment is creating a common platform. This concept is starting to take form. At Hudson Yards in New York, Intersection is creating a centralized data platform giving all operators secure access to the same information. In the future, this will happen at the district and city scale through thoughtful digital master planning. We need to think bigger. Smart City solutions are a step in the right direction. As David Gilford formerly from Intersection puts it, “What is the highest-level goal? Let’s start there.”

## FUTURE PROOFING

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As the industry starts to focus on resilient solutions, the notion of future proofing buildings, districts and cities will expand in the next decade. We need to anticipate how the built environment might evolve over time. Senior living to office to residential to hospitality – the possibilities are endless. Building floorplates, core placement, floor to floor heights, technology, etc. will be measured based on future viability. As technology advances exponentially, architecture needs to be adaptable. How will autonomous vehicles and last-mile transit solutions impact the 800 million US parking spots? If 80% of the public realm of a city is roads, imagine recapturing that land for culture, art, parks, and trails. As industries transform, so will our cities. We need to plan for the future now.

## THE HOUSING GAP

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As cities become more expensive, the housing crisis is harder to ignore. Exploding construction costs and low area median income projections are two huge hurdles for affordable and livable housing solutions. Madison, Wisconsin is trying to overcome this by extending tax increment financing funds to supplement affordable housing. These deals aren't predictable, but cities are looking for creative solutions. The Platform's Dietrich Knoer shared, "Luckily, it seems we have moved away from separating affordable and market-rate housing, and instead seek mixed-income solutions. At Platform, we strive to create communities that integrate across age, income, gender and race. Succeeding here is important for the continued resurgence of the urban living environment."

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# 7.2

THE US HAS A SHORTAGE OF 7.2 MILLION RENTAL HOMES AFFORDABLE AND AVAILABLE TO LOW INCOME RENTERS, ACCORDING TO THE NATIONAL LOW INCOME HOUSING COALITION.

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# 80%

ABOUT 80% OF THE PUBLIC REALM OF A CITY IS MADE UP OF ROADS, ACCORDING TO THE NATIONAL ASSOCIATION OF CITY TRANSPORTATION OFFICIALS.

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"If we focus on intentionality – from how we build, what we build, who we hire... we create a better world."

- Dietrich Knoer

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# THANK YOU TO ALL OF OUR PARTICIPANTS

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# Design a Better Future

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