

## **Study of Mixed-Use Development Trends**

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### **Description:**

Staff from the consulting firm HR&A Advisors will present a briefing on the countywide Study of Mixed-Use Development Trends. The study analyzed mixed-use development from 2010-2020, looking at both on-the-ground development as well as approved projects in the Development Pipeline.

### **Study Goals:**

The study had the following objectives:

- Understanding of the characteristics of mixed-use properties in different parts of Montgomery County as well as national trends in mixed-use, relative to trends in the county;
- Understanding what aspects of mixed-use are doing well in Montgomery County, what is not working as well, and why;
- Recommending improvements to Montgomery County policies to enhance mixed-use development; and,
- Improving M-NCPPC Planning's data collection on mixed-use properties.

### **Defining Mixed-use:**

The study focused on vertical mixed-use, most of which takes the form of residential-over-retail in a single building and on a single parcel, though there are some exceptions. Staff recognizes that there are important differences between the "horizontal" form - the mixing of uses alongside one another, on separate parcels - and the vertical form.

### **Mixed-use in the County:**

Mixed-use development is steadily growing as a share of total development, with Pipeline projects even more weighted toward mixed-use than recent development. Between 2010 and 2020, mixed-use development made up nearly 50 percent of new commercial and multifamily developments delivered. Consistent with national trends, that mixed-use projects are becoming more common than single use, the Pipeline shows that split increasing to 60 percent.

Mixed-use development is predominantly anchored by residential uses with ground floor retail as the secondary use. They are primarily located down-county and along the I-270 corridor. The scale is generally mid-rise in form, with high-rise buildings occurring most frequently in Bethesda and Silver Spring. To that point, the study notes that Rockville, Bethesda, Silver Spring, Gaithersburg, and North Bethesda make up 88% of total mixed-use square footage.

**Mixed-use Typologies:**

Mixed-use development takes on many forms in the county, depending on the size and scale of the project, as well as where it is situated geographically. Typologically, the study breaks mixed-use projects down by Residential-, Office-, and Other-anchored types. As previously stated, residentially-anchored mixed-use buildings are by far the most dominant typology, as seen in the table below, followed by office-anchored projects. Examples of other-anchored projects include hotel- or assisted living-anchored projects as well as developments without ground floor retail.

The majority of denser mixed-use projects are located down-county, with particular concentrations around the Bethesda, North Bethesda, Wheaton and Silver Spring metro stations, plus smaller mostly residential projects in the Rockville-Gaithersburg area. There have been 61 mixed-use developments between 2010 and 2020.

<b>Mixed-use Development, 2010-20, by Anchor Typology</b>	
<b>Anchor Type</b>	<b>Count</b>
Residential	45
Office	9
Other	7
Total	61

Source: Maryland State Department of Taxation & Assessment (SDAT); Costar, 2020

The study goes on to provide more detailed analysis of the typologies by location, height, transit accessibility, and other characteristics.

**Ground Floor Retail:**

The study reports that there are several drivers of success and failure regarding ground floor retail. Mixed-use developments near, or within, already vibrant areas succeed better than those situated in more remote locations or on back-streets. Connectivity and customer attraction are more difficult when buildings are near large, vacant areas or parking lots. Similarly, the vacancy of ground floor retail is considered a “negative amenity,” behaving similarly to vacant areas and parking lots. The study notes that, while retail can act as a demand driver for residential, blanket retail requirements can have mixed results, particularly if the developer doesn’t really know the appropriate retail market.

Finally, the study discusses the relationship between ground floor retail and COVID-19, saying that there will likely be continued vacancies in ground floor space, as typically used. However, there could be potential opportunities to reconsider these typical uses for things such as alternative work spaces like coffee shops or co-work spaces. There are even opportunities for the growth of retail in more residential neighborhoods.

### **Success Factors:**

The study includes a section describing factors that contribute to successful mixed use development, including:

- **Sustainability:** Sustainability is both environmentally responsible but also can be seen as an amenity, often returning premium rents. Mixed-use projects can explore traditional methods of sustainability, such as LEED certification, as well as less traditional methods like green roofs, storm water collection and recycling, or solar panel integration.
- **Walkability:** The ground floors of these projects can affect the larger pedestrian experience in a district. Most mixed-use projects rely on ground floor activation to create success for the commercial uses within the building, usually in the form of retail. These spaces should contribute to, and plug into, the pedestrian experience.
- **Authenticity:** The most successful mixed-use projects, especially in the case of mixed-use districts, should strive to either reinforce, or establish, the character, and feel, of a neighborhood. In smaller developments, authenticity can come by adding to the existing fabric of an area and aim to lease ground floor space to local retailers as opposed to national brand names, support and display local art, or host community and neighborhood events. In mixed-use districts, the authenticity of the project can be strengthened through the engagement of the local community throughout the planning process, ensuring the community's vision and voices help to drive project design.
- **Convenience:** Mixed-use projects are most successful in areas proximate to transit. These areas tend to be more easily accessible to residents, workers, and shoppers of diverse incomes. Having a variety of retail, restaurants, and other amenities activate ground floor space.
- **Flexibility:** Zoning and regulations that can accommodate changes in consumer preferences and market conditions will result in more successful mixed-use projects. The Commercial/Residential zoning family (CR) allows for a wide-range of uses to respond to development trends and needs.
- **Inclusion:** Mixed-use projects should be designed for all people, both community members as well as visitors. Montgomery County's inclusionary zoning policy is a good example of creating inclusion in mixed-use. Other methods include leasing retail space to smaller, local businesses and designing spaces to be welcoming to diverse users of all abilities.

### **Recommendations:**

The study includes recommendations based on the data analysis, policy analysis, and a review of case studies from comparable jurisdictions. The study notes that many other jurisdictions tend to rely on a combination of more frequent plan updates and site-specific approvals to accommodate shifts in developer demands or policy. It also recommends having a more discretionary review process, as is the case in Bellevue, WA, which has a mix of requirements and discretionary items in the review process,

offering developers both certainty and flexibility when needed. Regarding high-priority design guidelines, Bellevue also has a mix of required and negotiable design guidelines, allowing the City to prioritize their guidelines and ensuring that developers comply with design preferences that are considered a top priority. Additionally, Fairfax County has Urban Design Guidelines that provide in-depth descriptions and options for what the County envisions for the Community Revitalization Districts.

The study demonstrates that mixed-use development is most successful in more urbanized places and, thus, provides recommendations prioritizing densification and increased flexibility for ground floor uses and activation strategies. Additionally, it recommends maintaining and increasing affordable housing.

Regarding the development process, the study recommends exploring the streamlining of the development approval process outside of the need for plan updates. This could be achieved through adjusting policies to balance flexibility with minimum requirements, exploring tweaks in the bonus density point system, and establishing policy and workflows focused on flexibility, in general.

Finally, concerning the mixed-use market in a post-Covid-19 environment, the study suggests short-term strategies such as “dressing up” vacant space, incorporating the use of public art, and allowing for altered uses of ground floor retail space for temporary child-care or co-working space, as well as rental assistance and/or small business grants to assist in continuing active ground floor spaces that will enable mixed-use development to be seen in the healthiest light.