

Mixed-Use Development in the Genesee/Finger Lakes Region

In the Genesee-Finger Lakes Region, there are many urban neighborhoods, village Main Streets, and individual projects that combine a mix of residential and commercial uses. In many instances, the commercial portions of the mixed-use projects and districts are characterized by high vacancy rates, regular tenant turnover, and/or unprofitable mixes of tenants.

Clearly, the financial success of any mixed-use project is strongly related to the strength of the regional economy. If employment, population, and disposable income are not growing, a mixed-use project will likely have problems attracting quality tenants, adequate numbers of customers, and rent levels high enough to ensure financial viability. Given the slow growth of our overall economy, only a relatively few areas can reasonably be expected to be able to sustain mixed-use.

In our region, high-income geographic areas can support high-quality retail goods and convenient personal services such as medical and dental services, insurance agents, and attorneys. Several areas that rely on the high disposable income of college students and young adults also support mixed-use development.

An empty-nester portion of the population desires to remain in the area but also wants to downsize to luxury apartments or condo units. However, the experience of this region suggests that successfully renting or selling high-end apartments or condos doesn't mean a project has a viable high-end retail market. The majority of these projects wouldn't have been built without public support to offset some of the developers' risk.

A tourism component also may be important to supporting mixed-use, offsetting some lack of local economic vitality, as may be an entertainment component.

Despite the challenges, financiers, developers, and policymakers – nationally and locally – believe that mixed-use development can be a catalyst to redevelop a blighted or underutilized area, if properly designed and positioned. Areas in this region have demonstrated that mixed-use development can restore vitality to an area and increase demand for properties in the historic central business district.

Some suburbs without a traditional Main Street are considering new "town centers" to attract consumers from among residents in surrounding neighborhoods and provide a community focal and gathering point.

In all cases, these developments depend on demand from the surrounding area. To have any chance of success, they must draw customers from a geographic market area beyond the immediate neighborhood or community. Mixed-use projects and neighborhoods that are unable to attract an adequate number of customers from a greater distance generally struggle. In other words, there are few, if any, areas in the region, including the City of Rochester, where the population density and income of the immediate neighborhood (i.e., one-half mile radius) are currently sufficient to support retail services.

The region's lowest densities are in the post-World War II suburbs. Moreover, these neighborhoods tend to have good access to shopping malls and power centers, which would likely lead to a high retail space vacancy and a lower rent schedule for any proposed mixed-use development since people will drive further distances for price and variety.

For example, the rule of thumb for sizing a grocery store is 2.5 square feet per capita according to MJB Consulting, a national retail planning and real estate consulting firm based in New York City. Monroe County's suburbs – the most densely populated in the region — have an average population density of 1,116 persons per square mile. Thus, it takes a very large area to support even a small, 3,000 square-foot convenience store. In addition, a neighborhood's resident base is not homogeneous, with only a minority likely to prefer a convenience store — even a "boutique" grocer or baker or deli — to a full-service supermarket.

The most successful mixed-use areas and projects in our region depend on a sort of synergy with the immediate neighborhood – drawing strength from it and contributing to it. They are close to waterfronts, parks, schools, and municipal buildings, creating a desirable, habitual, and repetitive traffic flow. In other words, they give people more than one reason to come to the Main Street or project and help ensure that they visit on a regular basis.

The combination of income, density, and synergy required for successful mixed-use in our region is extremely marketable, but also relatively difficult to realize.