Actor perceptions of good design for real estate development

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Abstract

Good design increases the economic value of a real estate development project and its intrinsic value to the community, but good design is in the eye of the beholder and there are often many eyes on a development project. As a result, the design process is not a solo act but rather an ensemble performance by a large cast of actors including neighbors, community groups, politicians, investors, lenders, buyers, and architects, led by the real estate developer. These actors represent a broad range of competing and sometimes conflicting interests and they exert varying degrees of influence on the design process and the physical form of the building. They also have very different ideas of what good design means, seeing a project differently based on whether they are more interested in their experience of the exterior or the interior of the building. The real estate developer must listen carefully and balance these interests to ensure a successful project – one that attracts capital, community support, city approvals, and interested buyers. This chapter begins with a cast list of the actors and their interests and then considers good design from three perspectives: high vs functional design, the monetary vs intrinsic value of property, and what users of real estate really want. The case of a high-rise condominium project in Chicago illustrates how one real estate developer successfully reconciled these competing interests and the chapter concludes by arguing that savvy developers increase their chances of success by using the design process to manage risk.

Introduction

Real estate developers combine a set of resources – land, improvements, and professional services – to increase the value of an existing piece of “real property” beyond the costs of capital and operating improvements. The difference between costs and value is the developer’s profit. But beyond the numbers, the result of the real estate development process is a tangible asset with physical attributes that make it valuable and worth paying a price to own or use, for a potential tenant, user, or buyer. Many of these physical attributes are the result of a design process. Good design produces more valuable real estate, whether a basic warehouse, a strip retail center, an apartment, an office tower, or a luxury hotel. Design must take into account a
broad range of building systems, features, and characteristics including: location, site geometry, and soil conditions; size, mix, and layout of units or spaces; structural, mechanical, electrical, and plumbing systems; and exterior and interior building materials and finishes. A good design maximizes efficiency and reduces capital and operating costs while providing a functional and aesthetically pleasing building that will attract buyers, enhance the built environment, and contribute to the community.

Many people think that the design for a building is the product of an architect’s creative vision. But it is the architect’s client – the developer – who actually orchestrates the design process. The developer also has his or her own vision for a project, one that extends well beyond the building design. In addition to earning significant profits, the developer’s motives include everything from the thrill of deal-making to city-building on a large scale, enhancing his or her corporate or personal image, creating a memorable place and experience for users of the building, or leaving a legacy in one’s community. But the developer does not have free rein to implement his or her grand vision either, because there are a whole host of other actors with varied and often conflicting preferences who play direct and indirect roles in the design process. The developer, therefore, must do everything possible to identify and address the interests of these actors – often expressed through the language of design – to maximize his or her chances of success.

Introducing the actors and their interests

A real estate development project is a private sector business venture that is acted out on a public stage on a large scale. This section will serve as a cast list, introducing each of the typical actors on that stage and their usual interests and concerns.

The architect: What is my creative opportunity on this project?

The architect’s objective is typically twofold. First, the architect seeks to exercise his or her creative abilities in the design of a unique building they can be proud of and that will potentially win awards and elevate the architect in the eyes of his or her peers. Second, they seek to earn a fee, satisfy the client, and generate repeat business.

The contractor: How can I earn my fee and generate repeat business?

The developer typically engages a contractor during the design phase to provide initial cost estimates based on the architect’s preliminary designs. Through a process called “value engineering,” the contractor will also make suggestions for changes to the design with the intent of preserving the architect’s basic vision while simplifying construction and reducing costs.

The city planner: Does it comply with policies, plans, and codes?

The job of the city planner is to review a proposed project and any requests for variances and make a recommendation to city leadership to approve, modify, or reject the project. Planners consider site plan, massing, density, materials, uses, parking arrangements, traffic impacts, and other aspects of the design when determining whether or not the project conforms to a city’s development policies, comprehensive plans, and codes.
The politician: Does it maximize growth without alienating my voting base?

Elected officials typically support development because new investment increases the tax base and creates jobs but they must also balance these benefits with the concerns of community members and nearby neighbors, if they hope to be re-elected. Politicians view the development process through a self-interested lens because they care most about whether their constituents think they are working on their behalf. They can help smooth the path for a project, kill it, or cause delays through indecisiveness.

Community members: Is it good for the community?

Community members want to ensure that a project fits into their community. Community organizations often promote appropriate development while conditioning their support by requiring the developer to make certain changes that reflect their local knowledge and preferences.

Nearby neighbors: How will it affect my property and me?

The people most affected by a development project are the nearby neighbors. First, they must suffer the temporary inconveniences of construction. More important, once the building is complete it may block views and sunlight, change surrounding traffic patterns, and attract new uses – and new neighbors. Existing neighbors typically care primarily about their own self-interests and they often oppose projects that the larger community supports. But just a handful of neighbors can still be very vocal, which is why community groups, city planners, and elected officials are careful to listen to their concerns.

Other special interest groups: Does it address our specific concern?

Special interest groups promote positions that go beyond the individual project, such as historic preservation, sustainability, public safety, transit, environmental protection, habitat preservation and restoration, and water and storm water use and management.

Investors: What is my rate of return and how risky is this deal?

The developer and sometimes a few investors fund the early “pursuit phase” of a development project with their own cash. Funds are spent to obtain site control and to finance due diligence, design, legal work, entitlements, and market studies. During the pursuit phase the investors’ dollars are 100 percent at risk and if the project is not approved or does not sell, the developer will be unable to secure a construction loan, in which case the project is dead and most or all of the investment will have been lost.

Lenders: Will the developer be able to fully repay the loan on schedule?

Once the project has received city approvals and commitments from buyers or tenants, the developer will close on a construction loan, permanent loan, or mortgage from a bank or other source of construction debt. Because entitlement risk and market risk have been significantly reduced by this point, a lender will be willing to loan as much as 70 percent to 80 percent of the total project cost. The bank is lending its depositor’s funds, which will be recouped from
mortgage payments made to the bank and from sales or refinancing proceeds, therefore the bank is motivated to make a safe loan.

**Buyers: Does this product suit my needs for a price I am willing to pay?**

While community members are interested in a building’s exterior design, the actual buyers and users of real estate care as much or more about what happens on the inside, so they focus on interior layout, views, daylight, finishes, building amenities, and parking arrangements. Buyers want a product that is in a good location and that satisfies their needs for a price they are willing and able to pay. Astute developers sometimes engage potential buyers early in the design phase to vet proposed design features.

**The developer: Will this project earn a profit that justifies the risks?**

The developer’s primary purpose is to earn a large profit – one that is commensurate with the significant risks inherent in real estate development. Throughout the design process the developer will focus intently on reducing risk and uncertainty. They will listen to all of the other actors and use the design process to reconcile and accommodate their various opinions and suggestions, integrating this feedback into the building design as much as is practical. In addition to risking his or her pursuit phase cash and personal reputation, the developer often is required to personally guarantee repayment of all loans, effectively putting all of his or her personal assets at risk. Once the project is complete, the developer must account for future risks and costs related to construction defects and warranties.

When considering how each of these different actors views a proposed development project, it is helpful to remember that, “Where you stand depends on where you sit.” This public policy concept, known as “Miles’s Law,” is named for a Truman-era bureaucrat named Rufus E. Miles, who observed that actors pursue policies that benefit their own interests over collective interests. Miles’s Law applies in real estate development too, where architects care about design, contractors care about costs, politicians want growth, communities want investment, neighbors resist change, investors expect to earn a profit, lenders want to make a safe loan, and developers must somehow satisfy them all if they are to succeed. And beyond their individual interests and viewpoints, each of these actors is also likely to have a very different idea of what “good design” means.

**Three different perspectives on “good design”**

**Perspective one: High design versus everyday function**

Not everyone looks at design the same way. Numerous studies in the field of environmental psychology stretching back to the 1960s have continued to illuminate why architects and non-architects experience buildings differently. For example, Devlin and Nasar (1989, 333), asked architects and non-architects to look at photographs of two styles of residential architecture: “high” and “popular.” Both groups favored novelty and coherence (or clarity) but non-architects favored simplicity and “popular” attributes while architects favored complexity and “high” attributes.

Another study by Gifford et al. (2002) asked architects and non-architects to consider buildings in terms of their “objective characteristics” and their “subjective meanings.” The architects in the study focused on the objective characteristics – physical details such as arches,
balconies, columns, and so on – while non-architects cared most about the “subjective meanings” – their ideas about the properties of a building and whether it was, for example, clear, complex, friendly, meaningful, rugged, or original. Hershberger (1988) found that experts respond more to representational, physical meanings of architecture – objective physical cues – while lay groups respond more to responsive, ethno-demographic meanings, or subjective ideas about buildings and places. Several studies (Groat 1982; Devlin 1990) found that architects are more likely to see buildings through stylistic and formal category systems while laypeople rely on functional categories, and Gifford et al. (2002) speculated further that architects might be more influenced by materials while non-architects are influenced by form.

Wilson and Canter (1990) concluded that architects have different ideas about aesthetics because their professional training socializes them in ways that create or widen the aesthetic gap between themselves and the public. Similarly, Hubbard found that an architect’s education “inculcates a distinction knowledge structure” that laypeople lack (Hubbard 1996, 81). Gifford et al. (2002, 146) proposed that architects should be specifically trained to understand how non-architects think about buildings, concluding, “the greatest architects will be those with the creativity to design buildings that are delightful to design professionals and the public.” But if design professionals and laypeople have such different ideas about what good design is, then what do the actual users of buildings think?

In a study by two scholars in the field of design, Forsyth and Crewe (2009) focused on the user’s experience of design by examining differences in opinion between architectural critics and building users that centered on the question of style. They studied three planned communities that were designed in different styles, evaluating them on four dimensions: “objective aesthetics,” “style,” “place,” and “satisfaction.” Forsyth and Crewe compared the results of a “post occupancy evaluation” – a survey of many users – and the architectural criticism that each project had received. While a single expert writes an architectural critique, usually after a building has just been completed and often before anyone has moved in, a post-occupancy evaluation is based on a much larger set of data – surveys taken by many users after having lived or worked in a place for some period of time. Forsyth and Crewe found that the actual residents felt that all three of their communities were aesthetically good, but because their designs were based on different stylistic principles, all three projects had also received criticism from architects and planners promoting different styles. In other words, architects judge buildings based on objective or formal styles but since they have different individual stylistic preferences, they each judge buildings differently. But when surveyed, the users cared less about style and more about satisfaction and popularity. Style has to do with “taste” and in turn, “class” but satisfaction has to do with how good a place is in which to live or work and how well it fulfills a user’s needs. Forsyth and Crewe concluded that debates about style are not the same as debates about aesthetic quality because a project that users find to be aesthetically good can still be critically condemned by an expert who has different stylistic preferences.

When thinking about good design, architects care more about style while the non-professionals, who represent the majority of buyers and users of real estate, care more about objective aesthetics and satisfaction. In other words, the user is concerned primarily with whether or not a place looks and feels good to them and if it will be a good place for them in which to live or work.

**Perspective two: Exchange value versus use value**

While these actors have different views of what good design means, they also have different opinions on land use. In their book *Urban Fortunes*, Logan and Molotch (1987, 1–2, 33) argued
that scarce urban land has both “exchange value” and “use value.” Exchange value refers to goods that have a monetary value that can be easily calculated. Use value refers to goods that can only be valued for their intrinsic properties. Developers and community members see the design of a real estate project from these two, very different perspectives – developers for the economic value a new project will create and community members for how it will change their experience of their neighborhood and community (see Table 23.1).

In the case of urban land, exchange value is the market value of a piece of property, based on the assumption that it will be developed to its highest and best economic use. Exchange value is influenced by planning and zoning codes and regulations that determine how densely a piece of property may be developed – the maximum buildable envelope – and for what uses. From the developer’s perspective, land cost must be an acceptable share of the project cost – in total and per unit – if the project is to make economic sense. Exchange value is also affected by other market forces that tell sellers and buyers what it will cost to develop, design, and construct a project, how much demand there is likely to be for the product, and at what price the developer will be able to sell or rent the product. By considering this combination of factors, a seller or buyer can easily determine the rough monetary value of a piece of property.

Unlike exchange value, use value can be very difficult to quantify. The neighbors value a piece of urban land based upon how they experience and use it every day and different members of the community perceive it and use it in many different ways. Some may use a vacant site as a dog park while others may be concerned that a new building will block views and sunlight from their units or increase congestion on the streets.

It is at the intersection of exchange value and use value where most conflicts over urban real estate development occur. Developers must always keep an eye on costs and returns but cities are typically required to ignore economics when considering variances and conditional use permits and most community members see project economics as the developer’s problem – a problem that they are not obligated to understand or appreciate.

Because the community members do not understand or simply do not care about the developer’s exchange value perspective, public discussions about development projects focus mostly on use value. The common language in those discussions is that of design and the key words include density, massing, height, articulation, setbacks, style, materials, colors, uses, ...

<table>
<thead>
<tr>
<th>Exchange value – developer</th>
<th>Use value – community</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land cost ($ per square foot or $ per unit)</td>
<td>Current use of site (loss of informal dog park?)</td>
</tr>
<tr>
<td>Zoning (allowable uses, density, height, maximum building envelope)</td>
<td>Views across the site (blocked?)</td>
</tr>
<tr>
<td>Site size and shape (efficiency of design)</td>
<td>Daylight on site and nearby (shading?)</td>
</tr>
<tr>
<td>Environmental contamination (clean-up cost)</td>
<td>Existing historic or valued structures (demo?)</td>
</tr>
<tr>
<td>Approvals required (entitlement risk)</td>
<td>Natural habitats (displacement?)</td>
</tr>
<tr>
<td>Political/bureaucratic culture (entitlement risk)</td>
<td>Environmental contamination (disturbance?)</td>
</tr>
<tr>
<td>Timing within economic cycle (market risk)</td>
<td>Current traffic patterns (increased congestion?)</td>
</tr>
<tr>
<td>Potential future phases (market opportunity)</td>
<td>Existing neighbors (future neighbors?)</td>
</tr>
<tr>
<td>Proximity to transit, retail, office, amenities</td>
<td>Current tax base (real estate tax increase?)</td>
</tr>
<tr>
<td><strong>What can it be tomorrow?</strong></td>
<td><strong>Subsidy to developer (taxpayer cost?)</strong></td>
</tr>
<tr>
<td><strong>What will I lose tomorrow?</strong></td>
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</tbody>
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*Source: Author*
Actor perceptions of good design

Historic preservation, environmental impact, habitat preservation, congestion, parking, greening, and public space. As with the very idea of use value, these words and their meanings are qualitative rather than quantitative and because they are based more on subjective tastes and opinions rather than simple arithmetic they are also open to broad interpretation.

The developer focuses on the potential economic value of a property in the future while members of the community almost always value it for its current intrinsic qualities and how they experience it today. Community members often have good ideas that will help a developer improve the quality of a project and smart developers know that these community members are potential future buyers and that their ideas reflect the desires of the marketplace. But some suggestions from community members are Trojan Horses for positions that people know they cannot voice in public because they are blatantly self-interested, legally indefensible, or just politically incorrect. For example, the neighbors may oppose density and massing, arguing that it will be “out of character with the neighborhood,” when their real concern is that the new building will block their views and access to sunlight although they do not own the rights to either. Similarly, the neighbors may claim that “what the neighborhood really needs is more for-sale housing and condos, not apartments or affordable housing,” when their real concern is that apartments and affordable housing will attract the wrong kind of neighbors and reduce property values. And often the neighbors simply like the property the way it is – as an undeveloped lot where they can walk their dogs or enjoy a bit of open space. But while community members focus primarily on the exterior design of a project, the building’s interior design is also important, since it must attract a large group of potential buyers. And those buyers care less about what the outside of a building looks like and more about what it will be like to live, work, or play on the inside.

Perspective three: What do the buyers want?

Discussions of style, satisfaction, objective aesthetics, exchange value, and use value all leave out one key ingredient in real estate development that the developer cannot neglect: price. A developer earns a profit by producing a product that can be sold for a price that is greater than the cost of developing it. But the developer is not operating in a vacuum – there is competition – so one major objective is to design a product that is competitively priced yet distinctive enough to cut through the clutter of the marketplace and stand out.

To succeed, the developer must not only balance these potentially conflicting views of good design but must also resolve them within the context of a more important concern: Who will buy the finished product? Despite opinions from architects, planners, critics, politicians, neighbors, and many others, a good design from the developer’s perspective is one that will attract a broad and deep market: It must sell or the developer is at risk of losing large sums of money.

Many of the physical cues that give a design character – features such as style, details, material quality, massing, setbacks, and façade articulation – and that make a building look better, both to design professionals and laypeople, also cost more money. The developer must balance the costs of these various elements and features of the design with the price for which he or she hopes to sell the finished product.

“Design quality definitely has an impact on the marketing and sales of condominiums,” says Chicago market research expert Gail Lissner (interview). Design also helps differentiate a product from its competition and this becomes even more important when markets weaken. “A cookie-cutter building is simply not as valuable as a well designed building.” At the same time, the design must have lasting power – projects that are too trendy or cutting edge do not
translate well to the broader market and projects that evoke a “love it or hate it” reaction are even more difficult to sell, particularly when the market softens. “While architects and developers may think and talk about ‘target markets,’ the fact is that the market is diverse and the developer’s first priority is to create a product that will attract the largest possible pool of potential buyers.”

Good design does matter to buyers, in part because it can enhance future resale value, but the bottom line remains price. The developer simply cannot afford to do something that is architecturally remarkable if it is going to cost 20 percent more to build than a comparable product in the same market. “Real estate is all about price and there is no amount of good architectural design that is going to cure pricing problems.” So when they begin a new project, a developer starts by looking at their own location, what has worked, and what might work a little better. “But nobody gets too cutting edge,” says Lissner. “It is very hard to deviate from the norm and no one does.”

**Integrating all three perspectives: The developer**

A typical criticism of developers is that they do not care about good design. But that perspective dismisses the impact that other actors have on the design process. Once those interests are accounted for, it is easier to understand the developer’s perspective: A good building design is one that attracts capital, secures entitlements, offers a marketable product, makes economic sense, and reduces the developer’s risk. The developer must balance all of these factors to achieve a successful outcome.

**Access to capital**

A good design is one that attracts capital. The developer’s investment typically represents only a fraction of the total cost of a development, although their cash is first in and 100 percent at risk. Once the idea has proven to be viable, the developer will need to obtain more capital from investors. And once the project has received city approvals and is ready to begin construction, the developer will need to obtain debt from a lender. Rather than taking a chance on something original or unique, however, the lender will want proof that there is already a market for similar products and will also require presales, signed leases, or a positive market study, at the very least. The lender’s underwriters and loan committee will carefully compare the proposed project to other similar projects, scrutinizing everything, including the overall design, the mix and layout of spaces or units, interior finishes, exterior building materials, features and amenities, parking arrangements, estimated costs, and projected prices. If the project compares favorably the loan committee will approve the loan. A project that cannot demonstrate that it will be attractive to buyers or users at a price that will exceed its costs cannot gain access to capital – investor equity and debt – and is dead.

**Securing of entitlements**

A good design is one that attracts the support of local community members and groups or at least it does not generate insurmountable opposition. Community support, in turn, makes it easier for planning staff and elected politicians to promote the project if it must come before the planning commission, the historical commission, the zoning board of appeals, or the full city council on appeal, and improves the chances that the project will receive necessary entitlements and approvals from the city. A project that cannot secure entitlements is dead.
Product marketability

The developer is typically not building a highly unique project; rather they are producing a stock product that is only slightly different from the products being offered by their many competitors. Projects will vary from one to the next in terms of location, design, market timing, and price. But each project will be designed to offer an attractive and distinctive product that stands out in the marketplace. For the buyer this means a product that provides a good place to live, work, or play in a good location and for a good price.

Project economics

Developers engage in what economists call joint production, by buying sets of resources – land or property, construction materials and services, and professional services – and combining them into a single new product that can be sold for higher price that will produce a profit. But whether or not they intend to sell or own for the long run, developers must look beyond these capital costs towards life-cycle costs and the total cost of ownership by making design decisions that will minimize operating and maintenance costs in the long run. Interest, taxes, and utility costs add up quickly, too, so prudent developers do not build more product than they can reasonably hope to sell within a certain time period. Rather, they must balance maximizing buildable area with rates of “absorption” or else their profits will be eroded by the carrying costs of holding unsold or vacant units for an extended period. Time is money.

Development risk

In the early stages of a project, developers try to reduce risks and uncertainty associated with the property as much as possible by completing thorough due diligence, including environmental studies, geotechnical studies, and studies of existing building conditions. They also start meeting with community members and city officials and begin to assess the chances of receiving approvals as a way to mitigate entitlement risk. Developers also manage their construction risk by controlling fees and construction costs throughout the entire duration of the project. And developers use design to mitigate market risk by creating flexibility and allowing for multiple exit strategies so that they can adapt to changing conditions. The building may be designed so that it can be converted from one product type to another – from apartments to condominiums, for example – should market conditions change. Or the design may allow for phasing to reduce financing costs and avoid building product faster than the market can absorb it.

Successful developers manage risk by incorporating lessons learned from their previous projects, making marginal improvements to things that have worked well and avoiding past mistakes. They use derivative design to manage risk by making new buildings that are not very different from their own previous projects and the projects of their competitors, which makes it more likely that the market will accept the finished product.

Good design for real estate development: One example

One example of designing to manage risk by addressing the interests of all actors can be found at 600 Lakeshore Drive North, a condominium project in Chicago that was developed by David “Buzz” Ruttenberg of the Belgravia Group and completed in 2009 (Brown 2015, pp. 55–60; see Figures 23.1, 23.2, 23.3). The previous owner of the property had planned to build
a single, long, residential building of over 1,000,000 square feet facing the lake but he had difficulty obtaining financing and encountered serious resistance from the community because the building would block views and sunshine. So Ruttenberg came up with an idea for a two-tower design that would be easier and cheaper to finance while better responding to the community’s concerns. For example, the design was based on local precedent, echoing an important nearby architectural landmark, the two 1960s Mies van der Rohe apartment towers two blocks to the north. But more importantly, Ruttenberg employed a number of other design strategies to reduce his market risk and increase his chances of success.

Figure 23.1 Designed to manage risk: The two-tower design for 600 Lake Shore Drive was built in phases, which allowed the developer and the design team to improve the quality of the product on the second tower and made financing easier and cheaper.

Source: Courtesy of Pappageorge Haymes Partners
First, the orientation and smaller size of the floor plates for the two towers ensured that each of the six units per floor (per tower) had lake views, so there were no undesirable units, which mitigated market risk by ensuring a faster sell-out. The design also allowed for phased construction of the 700,000 square foot project (40 percent in the first tower and 60 percent in the second) and the ability to make improvements to the second tower based on buyer feedback from the first tower as it was completed and occupied. Phasing also made financing easier, improved cash flow, and reduced debt. “We sold rapidly in 2005, 2006, and 2007 and delivered completed units in 2007, 2008, and 2009,” says Ruttenberg (interview, 2016). “We sold the first 300 units in the first four and a half years and it took three more years to sell the last 100 units.” But because Ruttenberg was able to sell completed units and use the sales
proceeds to repay his debt as he continued building new units, he never had to borrow for the whole project at one time, which meant a smaller loan amount and lower interest costs. “We paid our loan off in mid-January of 2009 and even though we had some unsold inventory at the time, we had no debt and we made a profit in the end.” Ruttenberg also hedged against a potential market downturn by choosing not to build to his maximum allowable density or height. This decision reduced costs and shortened the schedule, allowing him to get fewer units to market faster, reducing his market risk related to slow absorption and having too much product left on the shelf in a downturn.

But Ruttenberg also focused on providing value to his buyers by driving his architects, Pappageorge Haymes Partners, to produce efficiently designed units that could compete on total price with the larger, less efficient units that other developers were developing based on dollar-per-square-foot pricing. “So if you provide the same unit as your competitor,” says Ruttenberg, “but you blow a little less air into the floor plans and you make them slimmer and a little more efficient, then you are hedging against the day when the market slows down. And if that means as a buyer you are paying $1.7 million to live in a three-bedroom, three-bath unit on the lake but others are paying $2.5 million to $5 million, then that feels pretty good to you.” From the buyer’s perspective, location, unit layout, daylight, and unobstructed views of Lake Michigan for 80 miles to the east make Ruttenberg’s condominium units a good value for the price.

Figure 23.3  The buyer’s perspective: Location, unit layout, daylight, and unobstructed views of Lake Michigan for 80 miles to the east make the condominium units a good value for the price

Source: Courtesy of 600 Lake Shore Drive LLC, a Sandz/Belgravia Group Ltd Development
Finally, like his predecessor, Ruttenberg still faced concerns from neighbors and the surrounding community that the new building would cast shadows on nearby Ohio Street Beach. Community members were not comforted by the architect’s analyses, which showed that the two towers would only partially shade the beach and only on the shortest days of the year, in December. But the 60-foot, street-width space between the towers allowed the neighbors to see in between, so Ruttenberg’s plan was “like two fingers rather than one hand.” The two-tower design was a big improvement over the previous developer’s single-building design and Ruttenberg’s decision not to build to the maximum allowable height helped too, but good design alone was still not enough. In the end, says architect David Haymes, “the community members’ opposition was publicly focused on the shadow issue but it was really driven by the fear of change, and while the two-tower concept aided the argument in a material way, many were not convinced, and it took proactive, objective, political leadership to push it past the goal line to obtain the needed entitlements” (personal communication).

**Conclusion**

Design for real estate development is not a solo act but rather a group performance. The developer facilitates a process involving many different actors with varying degrees of power and influence over the design of a project. The developer must take into account the preferences of politicians, neighbors, and other interest groups who care about how a building’s exterior design will impact the community while ensuring that the interior spaces will work well for users and attract buyers and tenants. The project must also be economically viable and capable of obtaining entitlements and attracting capital from investors and lenders. The finished building will be a three-dimensional manifestation of the influence of all of these actors and their preferences.

The best developers manage their risk and increase their chances of success by actively soliciting feedback from all of the actors who may potentially have an influence on a project. They then integrate that feedback into the design in an ongoing effort to constantly improve the quality and value of the product. The developer must constantly direct this process towards a good design – one that will satisfy and address all of the actors and interests as much as is practical – because in the end, a good design in real estate development is one that gets built and meets with success in the marketplace.

**Author’s note**

This chapter is adapted from the research and ideas described in my book How Real Estate Developers Think: Design, Profits, and Community (University of Pennsylvania Press, 2015). My thanks to Michael Byrd, Curt Gunsbury, and Murray Kornberg, for their encouragement and for reading and making helpful comments to this chapter.

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