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Design From the Developer's Viewpoint

What can architects learn about design from real estate developers?

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A few years ago, I became convinced that if people understood better what real estate developers do, they would also understand better how to work with them as they develop new buildings in our communities. So I interviewed over one hundred people, more than half of them developers, as well as architects, public officials, city planners, and community members, as a way to bring developers and their work to life.

One of my purposes was to debunk three standard myths about developers: That they are greedy and only care about money; that they don't care about the community; and that they don't care about design and indeed, don't even know what good design is. This excerpt explores that third myth — how developers think about design and how they work with architects to get what they need to produce a successful real estate product.

Developers are “professional clients” who know exactly what services they hope to obtain from their architects and have very clear ideas of what “good design” means, but they are also a source of repeat business, which is a second good reason that we should try to learn from them. We architects often view our designs, realized in completed buildings, as the primary reason why our clients

hire us — for many of us the building is the end product. But for the developer, and for many other client types, the building is just one part of a much larger vision that may include any combination of accommodation, product, experience, brand, process, political act, economic model, investment, and legacy. People don't hire architects because they want to build buildings — they hire architects to help them solve a bigger problem, whether it be accommodating new children with a small residential addition or providing space for a growing workforce, a new production process, a business opportunity, or, in the case of developers, a new product that people may not yet even know that they want.

The way developers make decisions is also different from other clients and the architects who work for them must be fast, nimble, flexible, and adaptable. Architects who build successful practices around developer clients are probably some of the most effective service-providing architects in the business and the rest of us can also learn from how these “developer architects” think about helping their clients succeed. The best developer architects know that their job is to understand their client's larger objectives and provide a design that will help them to realize their grand vision, which goes far beyond a building. Morris

Lapidus, the famous Miami-Modern hotel architect, said it best when he told his architect son, “Always design for your client’s clients.” I hope that my book about developers offers some new insights on how we as architects might all do a better job of doing just that.

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An excerpt from *How Real Estate Developers Think*, published by the University of Pennsylvania Press, 2015.

The Chicago architect Louis Sullivan, the father of the modern skyscraper, was the first to say, “form follows function,” in his famous 1896 article, “The Tall Office Building Artistically Considered.” But Herb Emmerman, a Chicago developer and marketing and sales consultant, demolishes any myth that development projects are designed from the inside out, with the end user’s needs coming first. “The architecture does not start with the question ‘Who is going to live here and what is the market?’ Instead, it starts when the developer brings in a big-name architect who designs a conceptual model for the project that is all about ‘How will this edifice fit into this environment and work with the municipality?’”¹

The architect will design the exterior shell of the building, and then, to illustrate the basic idea, will produce a detailed rendering or model that will look real — from the existing skyline down to the little people and cars. The inside of the building, however — the column grid, plumbing risers, stairs and elevators, and

unit layouts — will be designed only to the minimum level required to ensure structural integrity and determine the total interior area in square feet. “So the developer spends a lot of money designing this fancy picture or model,” says Emmerman, “so that they can take it to the alderman, councilman, or mayor, and they either fall in love with it or they bastardize it first and then fall in love with it.” Even then, elected politicians will not promote a project until the broader community has seen it and come out in support of it — or at least not come out in complete opposition to it — so the next step is to seek input from the neighbors. “So then you spend months dealing with the neighborhood and ‘can you make it shorter, can you put the parking underground, can you put in flower boxes,’ and still, we have not talked about how this building functions.” By the time the developer commits to proceeding with the detailed design, after many months of promoting the architect’s rendering or model, the image of the building’s exterior shell has become fixed in the minds of the public.

“Then,” says Emmerman, “when it comes time to really design the building, the name architect assigns the condo floor plans to their staff architect, who may or may not have significant experience designing unit layouts.” A savvy developer will use market research, marketing and sales experts, and even trusted sales agents to figure out the unit mix first — how many studios, one-bedrooms, two-bedrooms, three-bedrooms, and so on.

“If not, the unit mix will be the product of the staff architect too, and it will be based not on what the market may want but on what fits easily into the box that the name architect has created and the mayor, other politicians, and neighbors have come to accept as the exterior design of the project.” At the same time, the structural engineer begins to figure out the elements of the structural system that will run the full height of the building — the locations of columns, elevators, stairs, other major vertical shafts for ducts and plumbing, and the vertical “shear walls” that contain structural bracing — to make sure they work for the units above and the parking spaces below.

“And, once you have figured out the typical floor plate based on all of these constraints,” says Emmerman, “you try to fit the units into the space that is left over.” One challenge particular to high-rises is that the structural engineering drives the overall building design and can place constraints on the interior layouts. The staff architect is often unwilling to challenge the structural engineer and probably doesn’t have the authority to do so, trying instead to work within those constraints. “So sometimes, for example, shear walls end up in unfortunate places, like twenty feet from the edge of the building, which only allows for one-bedroom units in the corners.” Corners offer panoramic views and more windows so they command a higher dollar per square foot sales price and are better suited to larger and higher-priced units — two- and three-bedrooms. Cost-conscious buyers

purchase one-bedroom units, and a developer cannot charge enough for them to make up for the lost value of locating them in corners. “So we argue back and forth with the staff architect and finally we turn to the developer and say, ‘Hey, you are about to lose several million dollars.’ Not until we convince them that making the change to the structural design will cost a lot less than the lost revenue from not being able to put larger, higher-priced units in the corners does the developer turn to the architect and say ‘change it.’”

Emmerman believes that good design adds value but that there are limits based on economics. “For example, to make a building attractive, you will want to do a lot of articulation and stepping back of the façades. But given the reality of the city codes and regulations and the related land costs, you will also want to do everything to max out the allowable density on the site — the floor area ratio, or FAR — and use every buildable square foot you are entitled to. This means using a simple rectangular or square volume that may not be attractive but will be efficient and will maximize buildable area. Otherwise, the project will not be feasible and you will be leaving money on the table.” This is because urban land is priced based on buildable area, so if you don’t build the maximum, you must spread the same land cost over fewer units — which means charging more for the same unit as that of a competitor who does max out their site. “Most architects are just trying to build beautiful buildings, and we all agree with

that, but saying it and doing it are two different things because everything you add to make it pretty costs money and makes the project more expensive and begins to affect the economics of the deal. There are some architects who really do understand the process, don't get their egos involved, are trying to build attractive buildings, and who understand the idea of compromise — with these kind of architects you can generally get a good-looking building.”

Emmerman concludes, “When you say ‘a building should be designed from the inside out,’ no one really argues, but that’s not how it really happens.” And the reason has to do with money. It may cost \$1 million to design the exterior of a high-rise condo building but it can cost \$6 million to design all of the building systems, the floor plans, and the unit layouts. At the beginning of the project, design is a pursuit cost and the developer does not want to spend any more than necessary to obtain the support of local officials on the concept and determine that the building is marketable. The only way to do this economically is to develop the outside skin first and then wait until the project has obtained approvals or support before paying the much greater share of the fees required to design the rest of the building. “So what we really do as the marketing and sales team,” says Emmerman, “is we re-design from the inside out and try not to change the skin very much since it has already been approved and accepted.”

HOW DEVELOPERS THINK ABOUT DESIGN — AND ARCHITECTS

Collin Barr of the Ryan Companies, a national development company based in Minneapolis, Minnesota, summarizes the developer's expectation of an architect. “First, architects must solve my economic model — it has to work fundamentally before we can spend any time or money developing the design. Next, good architects cut through the clutter of the marketplace to offer something that is distinctive, attractive, and marketable. And last but not least, good architects understand the value of self-management and discipline during the pursuit phase and they know that they cannot just spend a bunch of hours exploring angles but, rather, must be targeted and high-value added.” This creates a paradox, says Mark Swenson, an architect who has collaborated successfully with Barr on numerous projects. “Developers have the least amount of money to spend on design at the beginning, and that is when my hours are worth the most. The highest value-added work we do is on the front end, often when the developer cannot pay us.”²²

David Haymes of the Chicago architecture firm Pappageorge Haymes agrees, concluding that the architect invariably has to work for free — “and that has been one of our gripes for many years. You have to give your best ideas and best works at the beginning of the project when you are not even going to get paid. It is always a frustration but you work

yourself around that because of relationships.” Unlike other clients who only build periodically, developers are sources of repeat business for the architects who work for them. As developers and their architects continue to work together, they get to know one another, and trust develops. And as Haymes points out, the various team members who work with a developer over and over again become that developer’s “brain trust” because they understand what he expects and know how to work with him. That builds trust in both directions, and the repeat business that flows from it helps architects accept not being paid for the full value of their work during the pursuit phase. But lean fees during the pursuit phase and the unique nature of the architect-developer relationship results in a design approach that most traditional architects are unaccustomed to.³

TWO KINDS OF ARCHITECTS: DEVELOPER ARCHITECTS & TRADITIONAL ARCHITECTS

“We have been told in a positive way that we are a ‘developer architect,’” says David Haymes. “Most of our work is for developers, and so we have not done as much work for corporate and institutional clients.” Haymes has, however, partnered on development projects with several nationally known firms that typically do that kind of work, like SOM and Goettsch Partners. Working with those firms gave Haymes the opportunity to see the difference in working styles and methods between

developer architects and more traditional firms that serve corporate and institutional clients. “Those firms wanted to try the development world and learn, but it was a struggle for them and you could tell there was some discomfort. Traditional architects are a little unaccustomed to their client having a strong viewpoint and they are more accustomed to being the one standing and talking in the front of the room while everyone else is listening. Their typical client is also better funded, so they can spend more time on design and charge higher fees.”

To underscore the differences in design approach, Haymes describes one development project he undertook for a client whom his firm had worked with before but who had chosen to hire a large corporate firm. Haymes was brought in partway through to help get the project back on track. “It was tough because that firm’s methodology was more corporate, they did not share the entrepreneurial spirit and urgency of the developer, and they did not realize that they had to move at a certain speed, so they couldn’t turn the work fast enough for their client. They had so many people in the meetings that you never knew who was responsible and decision making was harder and took longer. And because they had a procedural approach that didn’t make anyone truly responsible, no one was paying attention. So there were all kinds of errors related to code analysis and basic design criteria that were just intuitive to us.”

Unlike corporate or institutional clients, private developers are often individuals or small groups who are able to speak with one voice and react very quickly. “Private developers are therefore very demanding and you have to be completely absorbed with their objective, be responsible and responsive to them, and recognize that speed matters.” Haymes offers the example of a very large and successful development company that his firm worked with on many projects over many years that was owned by a father and his two sons. “That company was very tightly and intimately run and the three principals really functioned as a single individual and spoke with one voice. We spent ten years meeting every Wednesday morning and they came to every single meeting and they drove every single decision related to design.” Many architects would find this level of involvement on the part of their client oppressive but architects who work for developers prefer it. “Other developers who are just in it for the money are not as good and bureaucratic corporate developers are even worse,” says Haymes. “That is why we would rather work for an individual—or a group that can act like one.”

HOW A DEVELOPER ARCHITECT APPROACHES A PROJECT

Andrés Duany, a Miami-based architect and planner, is best known as the father of New Urbanism but his firm — Duany Plater-Zyberk — has also planned and designed scores of communities for developers, including the

well-known Seaside, Florida, which played the role of the perfect town in the movie *The Truman Show*. Duany’s father and grandfather were both developers and Duany himself has worked with many of them over the years. Yet while “they are all different,” he has found a way of understanding them: “When I first meet and begin working with a developer, I try to figure out their ‘six most important things.’” Duany maintains that every developer has half a dozen key ideas that are nonnegotiable, and he has to figure out what those are. “For example, a developer may have a favorite unit plan that has sold well in all of their previous projects, so don’t argue about it. Or he may come in believing as an article of faith that developing a community around a clubhouse is the key, so don’t argue about that.” Time and again, Duany has seen architects “fly into the flames” by contradicting the developer over those very few things that are not up for negotiation. Instead, he sees his role as adding balance to the team and filling in the weak areas or gaps. “If there are fifty variables on a project and I can figure out the six that are most important to the developer, then I still have the flexibility to achieve New Urbanist principles with most of the remaining ones.”⁴

Another Miami architect, Allan Shulman, offers a similar observation. His firm, Shulman + Associates, specializes in homes, condominiums, and hotels in Miami Beach and Miami, and as a result almost all of his work has been for developers. “Miami is a very competitive

commercial environment and fashion is so important so most developers know that they must make a mark to compete and succeed and they see good design as one of the tools they can use to do this.” As a result, Shulman says, “Most developers come in already thinking about design and know that it is worth paying a little more for something a little bit different.” There are certain formulas that have always worked in Miami but these developers also understand the value of experimentation, aesthetic values, and trying something different. “We have had few experiences where we have had to educate our clients because they already get it — when you are working in a historic context and you are reusing existing structures you learn to think about more than just the pro forma and the number of rooms.”⁵

Most developers whom Shulman has worked with also come with an idea. “The developer of one hotel came in saying, ‘I really want this project to be all about a garden and that will be the centerpiece,’ while another wanted to do an art hotel — a kind of hotel that was also a gallery. I love it when developers come with their own ideas and, in fact, I think I would feel a little lost in the undifferentiated world of suburbia, with empty land and a generic program.” Shulman has moved well beyond the stereotype of architect-as-artist and embraced a more complex view of architecture. “I no longer think that architecture is born entirely out of my mind but rather that it is the product of so many ideas crashing

together — urban context, history, neighbors, and the developer’s vision — and that I could not have done it as well myself even if I tried.” Shulman used to think that architects were the generalists in the development process but he has come to see that they are really specialists and that the developers are the generalists. “Developers must understand not only design, but finance, land, legal, and a host of other things. They are the synthetic glue, and when you work with developers you really begin to see where they make their money.”

Shulman has never met two developers who think exactly the same way and so he has learned not to repeat the things learned from one project on another project. “One hotel developer might say, ‘You can’t make a small room work in this market, so we will have to do luxury suites,’ while another might say, ‘You can’t make a large room work in this market, so we will have to do small rooms.’” Similarly, “One developer might maintain that ‘hotels do not work based on selling rooms — they really make their money from the food and beverage side of the house,’ while another might say, ‘The rooms have to work first and foremost and the food and beverage operation is secondary.’”

Shulman has learned that all of these positions may be right even if they appear to contradict one another. “There are so many potential ideas and approaches, every developer has a different one, and I have never seen any of

them match up.” In several instances where a partially completed project was sold from one developer to another and then another, Shulman has had to adapt two or three ideas on the same project. “It is not as if some of their ideas did not make sense — they all did — they were just different. And because there is never just one answer, what makes a project a success — and the developer really effective — is when they come with a strong approach, a game plan, energy, knowledge, and passion.”

Like Duany, Shulman concludes that his first job is finding out what is really critical to the developer. “The most important thing is the developer being able to articulate what he wants to do — and the one thing he can’t live without — the sine qua non of the project. The developer was successful before he met me and he knows it — so he knows his market, knows what has worked for him in the past, and I know that I am not going to change his mind.”

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Notes:

1. Louis H. Sullivan. “The Tall Office Building Artistically Considered,” Lippincott’s Magazine 57 (March 1896): 403-409; Herb Emmerman, interview by author, 30 June 2010, Chicago
2. Collin Barr, interview by author, 7 May 2010, Minneapolis; Mark Swenson, interviews by author, 3 March 2010 and 10 June 2010, Minneapolis
3. David Haymes, interview by author, 30 June, 2010, Chicago
4. Andrés Duany, interview by author, 26 July, 2010, Miami
5. Allan Shulman, interview by author, 26 July 2010, Miami

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