RETAIL COMPONENTS IN MIXED-INCOME HOUSING DEVELOPMENTS:
CAN DEVELOPERS AND PLANNING AGENCIES FIND COMMON GROUND?

by

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RETAIL COMPONENTS IN MIXED-INCOME HOUSING DEVELOPMENTS: CAN DEVELOPERS AND PLANNING AGENCIES FIND COMMON GROUND?

by

Jennie L. Rawski

Submitted to the Department of Architecture on July 31, 1991 in partial fulfillment of the requirements of the Degree of Master of Science in Real Estate Development

ABSTRACT

It is common for planning agencies to encourage (read require) the inclusion of first floor retail space in mixed-income housing developments in urban areas. Such agencies view the inclusion of retail in these residential developments as good planning practice. The inclusion of first floor retail space is expected to achieve several planning and economic development objectives: to contribute to the vitality of street life; to enhance the revitalization of neighborhood shopping areas; and, to insure the provision of jobs, goods, and services for neighborhood residents.

The policy to include retail is, in effect, a negotiated development exaction in which the affordable housing developer may be a reluctant participant to the concept of mixed-use. The mixed-use concept represents a policy driven approach to retail development for which the market may be ill-defined or non-existent: what the planning agency wants rather than what the market necessarily can sustain. The inclusion of a commercial/retail component at a minimum poses both additional financial and operating risk for the developer.

Three case studies of mixed-income residential developments in Boston and Cambridge, Massachusetts are used to examine the effect of the current public policy driven approach on two projects in comparison with a privately initiated project which followed a market driven approach. The cases will illustrate the ability of each approach to meet the needs of both public and private sector participants.

For developers and planners to find common ground they must devise a modus vivendi that accommodates each other's needs. Planning ideals, economic development objectives and financial feasibility must be integrated.

Thesis Supervisor: Professor Langley C. Keyes
Title: Professor of Urban Studies and Planning
INTRODUCTION

It is common for planning agencies to encourage (read require) the inclusion of first floor retail space in mixed-income housing developments in urban areas. The primary objective of this exhortation is the provision of affordable and mixed-income housing, bringing a diverse population back to center city neighborhoods, and doing so in a way which enhances neighborhood vitality.

Such agencies view the inclusion of retail in these residential developments as good planning practice. Although the retail element is typically a small piece of the total project, it is considered an essential component of an attractive urban neighborhood. The inclusion of ground floor retail space is expected to achieve several planning and economic development objectives: to contribute to the vitality of street life; to enhance the revitalization of neighborhood shopping areas; and, to insure the provision of jobs, goods, and services for neighborhood residents. Many of these mixed-use projects are intended to be bold, visible statements of public/private reinvestment in the community and their purpose is to spark additional private investment in the area.

From the developer's perspective, the policy to include retail is, in effect, a negotiated development
exaction in which the affordable housing developer may be a reluctant participant to the concept of mixed-use. The developer's aversion to include retail may stem from his or her belief that the retail component is tangential to the primary objective to provide affordable housing and will not sustain itself.

From a more general perspective, the mixed-use concept represents a policy driven approach to retail development for which the market may be ill-defined or non-existent: what the planning agency wants rather than what the market necessarily can sustain. The inclusion of a commercial/retail component at a minimum poses both additional financial and operating risk for the developer.

From the lender's perspective, the organization financing the development, the inclusion of a retail component, is traditionally viewed as increasing the financial risk of a residential project. Mixed-income housing developments are generally financed with tax-exempt bonds. The terms of tax-exempt bond financing limit non-residential uses to five percent of the bond issue. In the industry, this five percent is commonly referred to

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1 For one market rate, multiuse project in the state of California, the lender required that the residential/commercial mix be structured so that the entire construction loan could be repaid from the sales of the residential units alone.

2 There are no similar restrictions on taxable bond financing.
as "bad money".

To look at the issue of multiple perspectives and expectations in connection with mixed use development more explicitly, this study will examine how this development triangle of developer, planning agency and lender functions in Massachusetts under the aegis of the Massachusetts Housing Finance Agency (MHFA), a self-supporting state agency charged with financing and promoting the construction, purchase and rehabilitation of housing in Massachusetts.

In Massachusetts, the MHFA either directly or through local lenders provides both construction and/or permanent financing for most mixed-income housing developments. The terms of debt financing for mixed-income rental housing explicitly limit non-residential uses, and the MHFA does not promote their inclusion. Although no studies have been undertaken of performance, on the basis of anecdotal evidence the MHFA personnel know that a retail component often has trouble performing. Therefore, on the basis of past experience, the MHFA has changed its policy to reflect its view of reality that the retail component may not always, or immediately, achieve proforma expectations. The MHFA can require a developer building retail space to provide letters of credit or other assurances to compensate for any operating loss which would affect the developer's ability to meet debt service payments.
The MHFA developer is thus placed in a bind. To obtain permits and approvals from the city, the developer is left with little choice but to cooperate with the planner’s insistence on a retail component. Yet to obtain project financing from MHFA and minimize personal guarantees, it is in the developer’s interest to minimize the retail component.

This thesis will examine how the developer attempts to balance these conflicting objectives. It will explore the following questions. (1) The extent to which what is perceived as "good planning" by a local planning agency is commensurate with a financially sound project, i.e., whether public policy or market forces should determine the inclusion of a retail component in a mixed-income housing development. (2) The circumstances under which the inclusion of a retail component can achieve public sector goals while minimizing risk to the developer and financing agency. (3) The reasonableness in assuming a small scale retail component can significantly contribute to viable neighborhood retail districts. (4) The planning and design guidelines that can be followed to contribute to a project’s success.

Three case studies of mixed-income residential developments in Boston and Cambridge, Massachusetts are used to explore these concerns. Although the specifics of the case studies are unique to their locale, the issues they
raise about the inclusion of a retail component in mixed-income residential developments and the implications of what is essentially a "subtle exaction" pertains to a wide range of projects, whether public, private, market rate or affordable.

Organization of the Thesis

Chapter One sets the context for the discussion by establishing both the public and private sector objectives and perspectives on the inclusion of a retail component in mixed-income developments. The chapter begins with an overview of the public sector objectives and how they are often influenced by neighborhood participation in the planning process and planning decisions rather than simply economic considerations. The next section discusses the planning agency perspectives and objectives. It describes why a developer may consider the method by which the planning agency achieves those objectives as an exaction. Finally, it presents a pure development perspective as articulated by the Urban Land Institute (ULI): market driven infill development. The analysis establishes the ULI recommendations and guidelines for infill development as sound development practice. This information provides the background information necessary to apply the ULI principles of good development practice to the case study examples. The chapter concludes by pointing out the similarities and
differences in the view of the public planning agency and the development community.

Chapter Two presents three case studies: Church Park, in Boston's Fenway neighborhood; Douglass Plaza, in Boston's Roxbury neighborhood; and Church Corner, in the City of Cambridge, Massachusetts. A close look at each project provides information on the following factors affecting the retail component: project background and initiation; design; scale; public policy and objectives; market considerations; location; and financing. This information is used in the analysis of how decisions made during project development regarding the inclusion of a retail component affect that development's outcome and performance. The chapter places these three projects in the ULI framework and considers the effectiveness of following the recommended ULI approach.

Chapter Three draws on the case study findings to make general conclusions about the implications of a policy driven approach to retail development which ignores market forces. The chapter suggests that at present there is an inherent conflict in using private developers to achieve public objectives. Finally it will recommend actions such that the planning agency, the developer, and the MHFA can find a common ground to ensure the development of viable retail components and to reduce the burden of risk on any one participant.
CHAPTER ONE
OVERVIEW

This chapter establishes the public and private sector objectives and sets them in the context of sound development practice as developed by the Urban land Institute (ULI). The chapter begins with an overview of the public sector objectives and how they are often influenced by neighborhood participation in the planning process and planning decisions rather than simply economic considerations. The next section discusses the planning agency perspectives and objectives. It describes why a developer may consider the method by which the planning agency achieves those objectives as an exaction. Finally, it presents a pure development perspective as articulated by the ULI: market driven infill development. The analysis establishes the ULI recommendations and guidelines for infill development as sound development practice. This information provides the background information necessary to apply the ULI principles of good development practice to the case study examples. The chapter concludes by pointing out the similarities and differences in the view of the public planning agency and the development community.

3 The Urban Land Institute is an independent, nonprofit research and educational organization incorporated in 1936 to improve the quality and standards of land use and development.
Public Sector Objectives: Why Planning Agencies Encourage the Provision of Ground Floor Retail

The mixing of uses is not a new concept, particularly in urban areas. Public policy which encourages the development of ground floor retail space is generally considered to be a sound planning objective and has been advocated by Jane Jacobs, William Whyte and others in response to the separation of uses, particularly residential and commercial. In 1975 William Whyte proposed revisions to the New York City zoning code which would require that fifty percent of ground floor space be dedicated exclusively to retail use. It worked so well that in 1982, it was changed to require one hundred percent retail at the ground floor level.¹

New York City's success inspired other cities to follow suit although they often varied Whyte's formula. For the provision of ground floor retailing, Denver, Colorado gives incentive bonuses of extra floor space to developers. Another example can be found in the City of Providence, Rhode Island. The Providence Company encourages the development of retail as a compliment to residential projects in downtown Providence. Their mission statement clearly articulates this goal:

to loan $20 million to a series of residential projects which will support the architectural integrity and

human scale of the target area. Downtown is zoned to permit retail and we encourage retail as a component of our projects and as an integral component of revitalization.3

Whyte described how this concept was implemented in the city of San Francisco, California:

[San Francisco] does not specifically mandate stores in retail areas but twists developers' arms to the same effect in project reviews.6

The City of Boston takes a similar approach.

A second objective of planners is the economic benefit realized through neighborhood commercial revitalization. Economic benefit is provided by keeping retail sales and retail facilities within the jurisdiction.7 Retail is also expected to provide excellent entry level job opportunities.8

Planners can utilize various types of land use controls such as zoning or incentive bonuses, or a negotiated development process to achieve their objectives through the provision of ground floor retail.


6Ibid.


8To estimate job creation, the urban development action grant (UDAG) application uses a industry standard of one job created per four hundred square feet of retail space.
The Influence of Citizen Participation

In Boston and Cambridge, neighborhood groups often play a significant role in the development process; and therefore, in the extent to which mixing uses is an issue of public debate. Boston's "community planning process gives special attention to each neighborhood, and provides communities with a significant role in shaping land use controls to meet the individual needs of their neighborhoods."³

The South End Neighborhood Housing Initiative, (SENHI) exemplifies how a community process helped to shape the new zoning and development guidelines for Boston's South End neighborhood. Residents' comments on the provision of commercial space were mixed. One letter clearly articulated the need for some commercial space.

Residents must be able to shop within their own neighborhood in light of ever increasing traffic patterns. Commercial space should be encouraged provided that each neighborhood have control over the types of businesses in order that service needs of the neighborhood are met...Grocery stores (vs. convenience stores) banks, laundromats, and hardware stores should be encouraged. MBE's (Minority Business Enterprises) can be encouraged to own and/or operate local/neighborhood based service businesses.¹⁰

A neighborhood homeowner's association provided a dissenting perspective.

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³Boston Redevelopment Authority, A Plan to Manage Growth (n.d.), 32.

¹⁰Boston Redevelopment Authority, South End Neighborhood Housing Initiative - Community Comments (January 1987), 62.
New construction on the Washington street parcels should not include commercial development. Adequate opportunities are already available within existing buildings for small neighborhood commercial uses. New construction on Washington Street area parcels should be entirely residential.

The idea that adequate retail opportunities exist within the neighborhood calls the planning agencies' requirement for additional retail space into question. The requirement for new retail space may not be the only way to achieve public objectives.

**Retail Components as Development Exactions**

The *American Heritage Dictionary* defines exaction as "the act of demanding or requiring that which is not justly due; extortion." The issue of whether development exactions are "justly due" continues to be a controversial topic among developers and planning agencies.\(^\text{11}\) However, as the debate rages on, planning agencies continue to extract exactions in various forms. Linkage, inclusionary zoning, and off-site infrastructure improvements are common types of development exactions.

Exactions may be explicitly mandated or negotiated. Typically, in projects involving linkage or inclusionary zoning, the application of a standard formula will determine

\(^{11}\)Ibid., 137.

the fee to be paid or the amount of affordable housing to be provided. Exactions such as the provision of off-site infrastructure improvements are often negotiated extensively. Whether explicit or negotiated it remains an exaction; an element of the development program which would not have been provided but for public policy requirements and the influence of the planning agency.

Developer's resistance to the inclusion of first floor retail space is not new or unique to Boston. Whyte describes the situation in New York City in 1977.

The most flagrant nose-thumbing in New York was done by apartment house developers...Around the corner from where I live a developer put up a building with dummy storefronts instead of the real stores required by the zoning.\(^\text{13}\)

However, planning agencies do not view the inclusion of ground floor retail as an exaction or extortion. These agencies perceive public benefit through the realization of public policy objectives and the expectation that the retail space will be profitable for the developer. On a square foot basis, the construction cost of retail space is less than the construction cost of residential space.\(^\text{14}\) Retail space also has the potential to realize higher rents than residential space. Therefore, it is viewed by planning

\(^{13}\)William H. Whyte, *City: Rediscovering the Center* (New York: Doubleday, 1988), 244.

\(^{14}\)At Douglass Plaza, square foot costs were estimated at $71.33 for residential construction and $26.00 for commercial construction.
agencies as a program element which provides mutual benefit: financially viable return and neighborhood improvement.

**ULI Project Context: Mixed-Use**

There are a variety of ways to define projects which mix uses. Publications of the ULI describe a continuum, ranging from large scale multiuse developments at one end to smaller scale infill projects on the other. There are no clear boundaries between types and there are no hard and fast rules for determining the mix of uses.

The ULI uses the term multiuse to broadly define any development that incorporates more than one significant use, and which may or may not be physically and functionally integrated. One case study example, Church Park, completed in 1974, meets this definition but generally, mixed-income residential projects developed in the last few years lack a retail component of sufficient size to be considered a significant second use.

Today's mixed-income residential developments with a

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15 Scale is relative and difficult to define however, two Boston examples illustrate these types. Copley Place in Boston represents a large scale mixed-use development while Tent City in Boston's South End represents a small scale infill project.

small ground floor retail space exhibit the characteristics of an "infill" project. As described by the ULI, an infill project has four characteristics: (1) project sites are limited in size to a few acres; (2) the surrounding development is at least fifteen to twenty years old; (3) the bulk of the property has been vacant or grossly underused for at least five years; and, (4) the size of the built project relates to its surroundings. The latter is perhaps the most differentiating characteristic of an infill project which lacks the scale and physical functional diversity of today's mixed use projects. Infill developments can be any individual use, residential or retail, or a combination of uses.

Residential Infill: Ingredients for Success

In his book, *Making Infill Projects Work*, Eric Smart of the ULI identifies three factors necessary for successful residential infill projects: safety, support services, and image.

The need for safety is common to both residential and retail components. Infill projects are typically located in neighborhoods in transition, which are basically neighborhoods trying to improve their character and image. Therefore, security will affect the developer's ability to

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attract both retail and residential tenants to the project. To a large extent safety can be controlled through design, but the inclusion of a security system is recommended particularly for the residential component.

The availability of support services such as convenience shopping, close proximity to schools, parks, playgrounds, and if possible, daycare add to the attractiveness of a residential development.

Smart suggests that "a pioneering residential infill project must appear as an attractive 'new' neighborhood having a distinct status and image."18 In a neighborhood trying to upgrade itself, image is critical to attract the market rate tenant to the project.

Retail Infill: Ingredients for Success

Smart also identifies four factors critical to the success of retail infill developments: (1) critical mass; (2) an attractive and safe pedestrian environment; (3) accessibility and convenient parking; and, (4) location.

The retail infill project should have sufficient critical mass, i.e., scale and density. Smart tells us that Retail uses benefit by being part of a larger shopping area that encourages the pedestrian to walk along a vital and continuous row of shopfronts. A major

development gap between existing shops and new retail such as is often created by parking or non-retail uses will make it more difficult for new retail uses to succeed.19

Whyte supports this view. He suggests that retail districts should be "compressed into a relatively small area to achieve the density necessary to allow them to thrive. Rather than be spread out, stores should be close enough to be within supporting distance of each other."20

An attractive and safe pedestrian environment should be provided. Smart suggests that a traditional retail street should offer some of the comfort and amenities one might find in an enclosed mall. Attractive paving, landscaping, lighting, street furniture, and weather protection are the basic amenities one would expect to find in any urban streetscape. There should be places which provide shade and shelter for pedestrians.

The successful retail area should be accessible by automobile and within a brief walking distance from mass transit. Vehicular access and parking should be convenient and clearly defined.

The importance of location should not be underestimated. A successful retail location will be along a well-travelled pedestrian or vehicular route between two

\footnote{Ibid., 23.}

\footnote{William H. Whyte, \textit{City: Rediscovering the Center} (New York: Doubleday, 1988), 321.}
destinations. Sufficient pedestrian traffic can compensate for poor or non-existent vehicular access.

Experience has shown that the residential components should maintain a separate identity from the retail. An attempt should be made to visually separate the uses to avoid the appearance of "an apartment over the store". Similarly, the retail component should have a distinct presence on the street. It should not be too disguised as part of a predominately residential building.

With the exception of the case study examples in his book, Smart does not specifically address infill projects that combine residential and retail uses. However, application of all the aforementioned characteristics should result in a sound project. Projects which do not exhibit these elements are not doomed to failure, however, their chances for success are much greater if a majority of these elements are present. The general economic condition of a neighborhood is a factor beyond the control of the development team which will exert an important influence over the project. This factor will play a large role in determining whether the project will be immediately viable in the short term.

Types of Neighborhood Retail Areas

In Boston, the Boston Redevelopment Authority has worked to articulate a neighborhood business district hierarchy that is relevant to our discussion of infill development: the neighborhood cluster, the neighborhood center, and the community center. Retail developments are generally categorized according to the size of the retail component and the type of tenant.

The BRA definition of neighborhood clusters conjures up an image of the old corner store. The BRA describes neighborhood clusters as:

a few isolated stores located in predominately residential areas. They are stores which serve only the immediate neighborhood with customers typically walking a short distance to shop. The businesses are usually convenience or variety stores and frequently are locally owned. Where buildings have more than one story, the stores are generally limited to the ground floor.\footnote{22}

The next step up in size is the neighborhood center, a linear shopping street:

typically one to three blocks long with stores limited to the first and second floors. Business such as small grocery stores, dry cleaners, beauty shops and restaurants are mixed with residential uses. Customers generally walk from the surrounding area.\footnote{23}

Community centers are the largest district applicable to our discussion. Commercial centers:


\footnote{23}Ibid.
are predominately commercial. They have more stores than neighborhood centers and draw customers from a wider area. Many shoppers walk, but more drive or take mass transit. Community centers may stretch out along a single street or they may surround a central square. A wide range of goods and services including entertainment, clothing and department stores are often available...traffic and parking may be concerns.  

Conclusion  
The needs of public agencies, neighborhood groups, the ULI, and the development community converge around the purpose of infill projects. All agree that infill projects can achieve different purposes; they can be pioneer projects setting an example and pattern for subsequent investment, or they can "address an existing neighborhood need and thereby strengthen the overall fabric of the community". In practice, it appears that projects initiated by the public sector are mainly intended as catalysts for additional investment and are fueled by numerous public objectives; while projects initiated by a developer are purely market driven, i.e., meeting the needs of an identified market. 

However, their perspectives diverge in the method of execution. The exaction of retail space by planning agencies represents a policy driven, "if you build it they will come" approach to commercial development.

24 Ibid., 12.  
Rather than dictate the provision of mixing uses, the ULI advocates that the public agencies should provide opportunities for the mixing of uses to occur and then stand back and let it happen rather than try to force the issue. The ULI view, shared by the development community and the MHFA, represents a market driven approach as opposed to a policy driven approach to development.

The following case studies will examine the effect of the current public policy driven approach on two projects in comparison with a privately initiated project which followed a market driven approach. The cases will illustrate the ability of each approach to meet the needs of both public and private sector participants and the greater community.
CHAPTER TWO
THE CASE STUDIES

This chapter consists of three case studies: Church Park, in Boston's Fenway neighborhood; Douglass Plaza, in Boston's Roxbury neighborhood; and Church Corner, in the City of Cambridge, Massachusetts. A description of the methodology; how the three case study projects were selected is found in the appendix. A close look at each project provides information on the following factors affecting the retail component: project background and initiation; design; scale; public policy & objectives; market considerations; location; and financing. This information is then used in the analysis of how decisions made during project development in connection with the inclusion of a retail component affect that development's outcome and performance. The examples of Church Park and Douglass Plaza, will illustrate how the policy driven, exaction method of retail development has worked in practice. Church Corner will be used to examine the private, market driven approach. The chapter places these three projects in the ULI framework and considers the effectiveness of following the recommended ULI approach.
The Case Studies

Church Park: Boston, Massachusetts

Church Park, completed in 1974, is a large development in which both residential and retail components are significant uses. Although Church Park is now a viable and stable project, the success of the retail component was slow to arrive.

Site Characteristics

Church Park is located on Massachusetts Avenue in Boston's Fenway-Kenmore neighborhood, across from the world center for the Church of Christian Science. Prior to the development of Church Park, the site was a predominately commercial area including such landmarks as the Loews State Theater, the Astor Post Office, and the Boston Storage Warehouse at the corner of Massachusetts and Westland Avenues (see Fig. 1). Across Massachusetts Avenue were apartments and stores in a typical walk-up configuration. A life-long resident of the area recalled:

there were all types of stores, of all price levels, on Massachusetts Avenue. No matter what your income, there was something for you. Years ago, there was a fruit market, like in the market district downtown, where people went to pick out their own fruit and vegetables. We got our Christmas trees there. It was open all night. Rabinovitz’s delicatessen was on the corner and a cigar store Indian stood nearby. It was a
The expansion needs of the Church of Christian Science set in motion a massive redevelopment effort which would radically alter the character of Massachusetts Avenue.

Figure 1. Free-hand sketch of Massachusetts Avenue at Church Park site by the late George Durward. The Boston 200 Corporation, The Fenway: Boston 200 Neighborhood History Series (1976), 9.

The Urban Renewal Plan & Objectives

"The expansion needs of the Christian Science Church, together with the slow deterioration typical of intown housing and commercial conditions led to the formation of a

26 Joyce Ellis, interview. The Fenway: Boston 200 Neighborhood History Series (1976), 12.
renewal plan by the BRA in 1965."\(^{27}\) The renewal plan and objectives were closely aligned with the needs of the church.

Local planning objectives for the Fenway area were the provision of "new and improved commercial and institutional space in the Project Area and of creating new and rehabilitated low- and moderate-income housing."\(^ {28}\) The renewal plan encouraged commercial development, in low-rise structures and on the lower floors of residential structures along the major streets of the area (Massachusetts and Huntington Avenues). The heart of the retail development should be along Massachusetts Avenue and should provide primarily locally-oriented shopping facilities designed to meet the needs of the adjacent residential community.\(^ {29}\)

Church Park was part of the master plan prepared for the Church of Christian Science by I.M. Pei & Associates, Architects (see Fig. 2). Later, Pei's concept would be incorporated in the Fenway urban renewal plan. "Dynamic rejuvenation" were the words used to describe the impact of the church's expansion on the Massachusetts and Huntington Avenue neighborhoods.\(^ {30}\) Across from the Church property,

\(^{27}\) Boston Redevelopment Authority, *Fenway-Kenmore District: Background Information, Planning Issues and Preliminary Neighborhood Improvement Strategies* (June 1975), 3.

\(^{28}\) Ibid., 43.

\(^{29}\) Ibid., 8.

long residential/commercial buildings were to line Massachusetts and Huntington Avenues. These buildings were designed to provide an appropriate setting or background for the Church itself. A land utilization and marketability
study of the Fenway urban renewal area prepared by Hunneman and Company, Inc. noted that, "The influence of the First Church of Christ, Scientist, in the Fenway Urban Renewal area is of first importance." Indeed, the Church's expansion needs formed the core of the renewal plan to the extent that it is difficult to separate the two.

**Project Initiation & the Development Program**

Over time, the Church of Christian Science acquired much of the land along Huntington, Massachusetts, and Westland Avenues. With assistance from the BRA, the Church assembled land into large redevelopment parcels and sold to private developers for redevelopment in conformance with Pei's proposed plan. The church approached a local developer, The Niles Company, which later formed the United Company Limited Partnership, as the ownership vehicle for the Church Park development.

The urban renewal plan dictated new construction on the disposition parcel #11 (Church Park) as "residential, commercial on lower floors, with a maximum FAR of 5.5". Although the renewal plan promotes retail, the developer felt that they were allowed some flexibility with the program. Parking was briefly considered but the developers

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31 Ibid., IV-3.

recognized that a blank wall eight hundred feet in length, along Massachusetts Avenue would be disastrous. The developer recalled that housing was not considered appropriate for the ground floor space so thoughts naturally turned to retail.

Market Considerations and The Retail Component

The Fenway urban renewal plan seriously considered the development of new retail areas and its financial feasibility. A study was prepared by Hunneman and Company, Inc. to analyze new retail opportunities for the Fenway area. The Hunneman study considered four factors:

(1) the amount of existing retail space which will be demolished, (2) the estimated population of the project area after renewal, (3) the primary and secondary trade areas of the Fenway and, (4) the competition represented by existing and planned retail developments outside the project area.

The Hunneman study identified the quantity and location of retail space within the Fenway urban renewal area. One hundred forty-two establishments, with a total estimated floor area of 378,000 square feet were counted in a survey of first floor retail space. Convenience goods and services dominated the mixture of shops. Existing retail space was concentrated along both sides of Massachusetts Avenue between Boylston and Falmouth Streets.

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The Hunneman study also identified the primary and secondary trade areas served by this retail space. The study concluded that the primary trade area boundary would remain unchanged but that its composition and characteristics would change. Specifically, "new residents with higher median incomes would constitute a larger segment of the population."\(^{34}\) Residential sections bordering the perimeter of the primary trade area are considered a secondary trade area which was expected to expand "particularly in view of increased parking, new street patterns, diminished congestion and increased open space."\(^{35}\)

Many stores would be demolished as a result of the proposed plan:

The proposed renewal project will eliminate 118 first floor retail establishments containing approximately 284,000 square feet. Obviously it will be necessary to replace these retail facilities not only because they represent convenience shopping to those who now reside in the Fenway area, but also because we believe such facilities are essential to the success of the redevelopment plan and the proposed new residential construction.\(^{36}\)

Hunneman estimated that the development of 200,000 square feet of new retail space for convenience goods and services would provide adequate replacement. Also, that this amount of space could be supported by the population of

\(^{34}\)Ibid., VII-10.  
\(^{35}\)Ibid.  
\(^{36}\)Ibid., VII-9.
the primary and secondary trade areas. The westerly side of Massachusetts Avenue between Boylston Street and Westland Avenue was identified as the "most suitable and appropriate location for the major portion of these facilities." 37

Today, Church Park provides 72,070 square feet of ground floor retail space in this location. The first floor of the Church Park apartment building provides 57,070 square feet of retail and office space while the ground floor of the freestanding parking garage behind Church Park provides an additional fifteen thousand square feet of retail space.

Design

The building's design and its placement on the site immediately put the retail at a major disadvantage. In anticipation of the proposed widening of Massachusetts Avenue, Church Park was set back farther than usual from the existing street edge. With the abandonment of the urban renewal plan, all hope was lost for the reconstruction and widening of Massachusetts Avenue. 38 Thus, Church Park was

37 Ibid., VII-10.

38 In 1972, dissatisfaction with the renewal plan led some Fenway residents to file a class action lawsuit against the Church of Christian Science, the BRA, the Department of Housing and Urban Development (HUD), and others. Subsequently, the urban renewal plan was abandoned, but not before many elements of the plan were carried out. Church Park was one of the first buildings to be constructed. Later, the Church of Christian Science completed their expansion plans, and in 1978 and 1979 two towers, Symphony Plaza East and West, rose at the southern gateway: Massachusetts and Huntington Avenues. The towers at
left with an extraordinarily deep setback from Massachusetts Avenue. For several years this had an adverse impact on the retail portion of the project.

The Fenway renewal plan established specific design guidelines for new construction.

new development should not form a wall between existing residential communities and the proposed commercial activity on Massachusetts and Huntington avenues. Therefore, it is important that adequate and suitably designed pedestrian walkways and pedestrian-oriented activities be provided through the new developments to link these areas.39

This provision was probably included in an attempt to minimize the impact of Pei's plan where Church Park, and a similar project on Huntington Avenue create a virtual wall across the street from the Christian Science Center property (see Fig. 3). Church Park, a white, concrete structure was designed to be a canvas for, and a compliment to, Pei's work at the Christian Science Center. Its mass physically and visually cuts off the adjacent Fenway neighborhood, west of Massachusetts Avenue, from the Christian Science Center property.40

Massachusetts Avenue and Boylston were never constructed, and the proposed widening and construction of a median strip in Massachusetts Avenue was never realized.

39 Boston Redevelopment Authority, Urban Renewal Plan - Fenway Urban Renewal Area (November 1, 1965), 9.

40 Church Park is approximately 800 feet long and 11 stories high. Readers familiar with Boston's Prudential Building may appreciate that in comparison Church Park is as long as the Prudential Tower is tall. Treasurer F. William Smith of Boyd-Smith, interview by author, 25 June 1991.
The construction of Church Park eliminated the connection of three streets: Astor, Norway, and Falmouth to Massachusetts Avenue. Therefore, to comply with the design guidelines of the renewal plan two passageways were constructed at ground level to allow pedestrian and vehicular access through the building to the adjacent
neighborhood. The structural framework to accommodate the passageways increased the construction costs but they were never utilized except for pedestrian use. By dictating the construction of the passageways, the renewal plan appeared to be responsive to the area residents' concerns without necessitating changes to Pei's master plan.

Financing

The United Company first sought project financing from the Federal Housing Administration (FHA). At the time, FHA financing did not require a developer to provide affordable housing so the development program made no provision for it. Also, the FHA was a full-blown bureaucracy and the United Company could not get a decision regarding financing the project. The FHA kept studying the matter and asking for more information. The developer recalled that there may have been an issue around meeting FHA cost guidelines.

At about the same time there was a social outcry about the affordable housing situation,

I remember very clearly people from Wellesley, in fur coats ... they were supporting the neighborhood effort and protesting the BRA action - picketing in front of [the site] Church Park.41

According to the developer, F. William Smith, the outcry caused Bill White at the MHFA to offer to finance the project. In 1972, the MHFA was a young agency willing to

take a chance on Church Park and the United Company. It is likely that Bill White was interested in affordable housing rather than the retail component, but according to Smith’s recollection, the size of the retail component was never called into question. MHFA provided the sole source of financing for the project.

With financing in place, construction commenced. When the widening of Massachusetts Avenue failed to materialize, the wide area directly in front of Church Park was left a gravel "wasteland" and "the BRA did nothing for well over a year." This situation severely limited the United Company’s ability to attract retail tenants to the building for the entire first year.

Meanwhile, MHFA held back the permanent financing due to the unfinished situation in front of the building. The United Company finally had to threaten the BRA with a lawsuit to get them to pave the area, whereupon the BRA paved it with bituminous concrete. Only then was the United Company able to replace the construction loan with permanent

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42 Of the 508 apartment units, 127 were designated as low income and those rented quickly. Rentals of the remaining 381 market units lagged somewhat so an additional fifty moderate income units were designated, leaving 331 market-rate units.

43 In 1972, the terms of tax-exempt bond financing permitted more than five percent of an issue to be used for non-residential uses.

financing. Due to the additional year that the company had to carry the project at a higher interest rate and the fact that interest rates on the whole had risen over that period, the United Company was locked into a high interest rate on the permanent financing. A few years later, The United Company was able to refinance the project through the MHFA at a five percent interest rate. With the lower interest rate, Church Park's financial health gradually improved.

Leasing

Three merchants from across the street, displaced by the renewal project were among the first tenants in Church Park: Evan's Mens Clothing, who is still there today; Water's Stationary which closed just last month; and a shoe store that closed about three years ago. Brighams moved down Massachusetts Avenue to relocate in Church Park. So Church Park did provide replacement space for many local tenants.

Smith indicated that Church Park has always been a difficult location to sell to tenants. Primarily because the arcade impedes visibility from Massachusetts Avenue and also because there is a prohibition against hanging signs on the exterior wall of the building.

The retail finally started to turn around when the United Company was able to introduce a couple of successful

Ibid.
merchants to Church Park by offering them deeply discounted rents. Smith mentioned, "At this point we were willing to take any warm bodies."\textsuperscript{46} The Post Office was the first to arrive and brought with it a lot of pedestrian traffic. Economy Hardware, who was being forced out of its space by another BRA action, decided to relocate to Church Park. The signing of a lease by Economy Hardware was the action needed to persuade Rix, a major drugstore chain to sign. The deal Rix accepted was that if first year sales were under $600,000 it could terminate the lease without penalty. In the first year of operation, Rix realized over one million dollars in sales. The presence of these three anchors was the necessary precondition for the establishment of Church Park as a viable retail center and to attract other tenants to the project. Prior to that merchants could not be convinced that Church park was a viable retail area. The project now receives substantial income from the commercial/retail uses.\textsuperscript{47}

\textbf{Experience Gained: Effectiveness of the Policy Driven Approach at Church Park}

1. Neighborhood reinvestment can not be attributed to a vital retail area. In 1976, two years after the

\textsuperscript{46}Ibid.

\textsuperscript{47}In 1990, 32.3\% of total income was from retail/commercial uses: $652,608 from commercial rentals and $1,086,676 from parking garage operations.
completion of Church Park, residents comments indicate that the project was beginning to achieve the planner's objective of stimulating neighborhood reinvestment. However, their comments also reveal that the retail component was still struggling to get off the ground. This would indicate that the neighborhood reinvestment was not attributable to the presence of a retail component in Church Park.

For all that the Church development on Mass Ave has done in terms of destroying the atmosphere, it has improved the living situation between Massachusetts Avenue and Hemenway Street, on the other side of Westland Ave. A lot of apartment buildings have been gutted and redone.

It's sad not to see the business on Massachusetts Avenue, sad to see all the ground floor stores in Church Park empty . . . Many residents had hoped to preserve and upgrade the existing affordable housing. They cherished the small personal shops.

2. The planner's goal, the creation of a successful retail area may have a negative, and perhaps unexpected side effect on a segment of the population which it is intended to benefit: the small, local merchant. Success brings change and it is difficult for the small business owner to compete with the large, well-capitalized national and regional franchises.

In his article "Livable Streets: Protected Neighborhoods" Donald Appleyard, referring to the Jane Jacobs idealized street asks, "Can we retain or somehow

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recreate this nearly lost form of urban life?" His answer is no. He believes that where it has been attempted, the results are very different from the livable, old neighborhood streets of the past.

This [new] kind of street life is quite different from working-class street life. Most of it has gravitated to the main commercial streets because the families with vast numbers of children simply do not exist, and the little old neighborhood shops and local industries that provided the mixed uses and life that Jane Jacobs argued for are having a hard time surviving.

Church Park exemplifies that change. It is neither a traditional urban retail street, nor a traditional urban residential street. If the residential portion were removed it could be any suburban strip shopping center. Since Church Park has become a popular retail area the small, local businesses that have been there for a long time are getting pushed out as their current leases expire. The card/book/gift shop, for example, is still paying rent of approximately ten dollars per square foot, approximately fifteen dollars less than the current rate. When their current lease expires, it is unlikely that the developer, his space now able to command higher rents, will consider subsidizing this small tenant any longer.

50 Ibid.
3. The inclusion of a retail component reflected a market reality. The Hunneman study identified a market area for the retail and correctly predicted changes in its composition. However the predicted change was slow to arrive. A general uplifting of neighborhood economic conditions was required before the retail started to turn around. The study did not discuss the impact of the timing of the market changes.

4. After its construction, Church Park was thwarted by neighborhood opposition to the urban renewal plan that created it and by inactivity on the part of the public agency that promoted the plan. The abandonment of the proposed Massachusetts Avenue "improvements" ultimately benefitted the residential component, by distancing it from the street noise of Massachusetts Avenue; but at the same time it immediately and negatively affected the marketing and leasing of the retail space.

Two factors made it difficult to lease the retail portion: the large setback and the distance from Massachusetts Avenue and the failure of the BRA to timely complete the sidewalk improvements within the widened right-of-way. When the BRA finally performed, it used low quality materials. The current better quality pavement and trees have been recently installed. It is unclear why the BRA failed to act; by doing so they were impeding the realization of their own objectives.
Douglass Plaza is a new development in Boston's Lower Roxbury/South End Neighborhood. Completed in June 1989, during a significant downturn in the local real estate market, the project is having difficulty renting both residential units and the commercial space. Many of the residential condominiums remain unsold.

Site Characteristics

The project site is between the Massachusetts Avenue and Ruggles stops on the Massachusetts Bay Transit Authority (MBTA) orange line (see Fig. 4). Douglass Plaza was built on urban renewal land originally owned by the MBTA. It consists of 122 units of housing, thirty-three subsidized units and thirty-three condominiums for first time home buyers. Also, there are seven thousand square feet of commercial space and 146 underground parking spaces.

BRA Policy and Objectives

Douglass Plaza is the first project in the Lower Roxbury-South End neighborhood sparked by the relocation of the MBTA subway's orange line. The project was initiated by

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52 Under the original renewal plan, a school was proposed for this site. Project manager Jeffrey M. Goodman, Esq. of the BLC, interview by author, 26 June 1991, Boston.
Figure 4. Context map. Douglass Plaza site is one-half of the shaded parcel number sixteen. Church Park is at upper left. Courtesy Boston Redevelopment Authority.
Like Church Park, Douglass Plaza is characteristic of a residential infill project designed to inspire private reinvestment in Boston's Roxbury neighborhood. A recent promotional publication sums up Boston's expectations for the Lower Roxbury neighborhood:

Economic opportunities and safe, viable neighborhoods. The strategy for achieving this goal in the Roxbury community has been to quite literally replace a history of economic disadvantage with a future of economic opportunity and promise. In the past six years, significant investment in the construction of affordable housing, public works improvements, job training, neighborhood business development, and targeted linkage funds have been the key elements of the Roxbury neighborhood strategy.

Development controls for Douglass Plaza are dictated by the Roxbury Interim Planning Overlay District (IPOD) zoning amendment. The Roxbury IPOD articulates nine goals.

1. Control Land Speculation and Displacement
2. Protect Residential Character
3. Provide Affordable Housing
4. Direct Growth
5. Provide Adequate Parking
6. Preserve, Enhance, and Create Open Space
7. Direct Nonhazardous Industrial Uses to Appropriate Sites
8. Promote Viable Commercial Districts
9. Preserve and Protect the Quality of Life

Within the Roxbury IPOD, the Douglass Plaza site lies between Tremont Street and Columbus Avenue each of which are designated Boulevard Planning Districts (BPDs). Boulevard

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53 Generally, the BRA's policy is to dispose of the public land for public purposes. The BRA does not retain an interest in "low value" parcels such as this.

Planning Districts were established to:

保护和促进某些主要动脉和交叉街道作为混合用途商业中心和作为进入社区的门户...允许在BPDs内使用的混合使用将促进和维持经济的可持续性和住宅的稳定性，通过提供就业机会、服务为居民和访客以及负担得起和市场房价的住房。

The BRA understands that to achieve their reinvestment objectives Douglass Plaza must present a spectacular new image in this old, tired neighborhood. Both the MHFA and the BLC recalled that an attractive project was of prime importance to the BRA. Also, that BRA design requirements often increase the cost of a project.

Project Initiation

In 1982, the BRA gave tentative designation to the non-profit Concord Baptist Church (CBC) as redevelopers of Parcel 16, the Douglass Plaza site, in the South End Urban Renewal District. Like many community based non-profits, the CBC had no housing experience and few resources such as money for up-front expenses. To enable the CBC to continue their involvement in the project, the Boston Land Company (BLC) was brought in as a partner who could provide the

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necessary experience and resources.

The Design Review Process

Both the BRA and the MHFA describe the design review process as a cooperative effort. Although the BRA notes that the MHFA "frequently yields to the BRA" and allows the BRA to take the lead role."57

According to the BRA design review architect for Douglass Plaza, their review process focuses on the public realm. The BRA defines the public realm as "public spaces, the activities that occur within them, and the environment surrounding them . . . any element that contributes to the pedestrian experience."58 Functional aspects are of secondary concern, in part, because the BRA knows that the MHFA architects will carefully review the functional aspects of the residential units.

The MHFA review process focuses primarily on the internal aspects of the building and compliance with applicable building codes. The MHFA wants to make sure that quality housing will be provided; therefore, their attention is focused on the residential units. At a minimum, the MHFA reviews the efficiency and appropriateness of the

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57 Senior design review architect Thomas Maistros of the Boston Redevelopment Authority, Telephone interview by author, 29 June 1991.

58 Boston Redevelopment Authority, A Plan to Manage Growth (n.d.), 23.
residential unit layout, construction and operating costs, and the mechanical systems. Public realm considerations are left up to the BRA. Since the commercial component is just a shell, to be finished by the tenant, the MHFA does not give it more than a cursory review.  

Throughout this process the commercial component seems to escape the attention of both the BRA and the MHFA, other than how it appears from the street and where on the site it will be located.

**Design and the Retail Component**

The BRA exerted significant control over the design of Douglass Plaza. From submission of the initial design concept to final approval the BRA design review process took at least eighteen months. The BLC’s original concept was to contain all the units, with the exception of twelve townhouses, in a ten story elevator apartment building, characterized by internal entry to individual units. No retail was included. The BRA dismissed this "suburban mid-rise apartment concept" and "encouraged" the BLC to pursue a concept which reflected the existing pattern of urban

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60 Senior design review architect Thomas Maistros of the BRA, telephone interview by author, 29 July 1991.
development in the South End (see Fig. 5). To create a development plan which would "address the streets" the BRA recommended that the new concept maximize site coverage and create many units with direct ground floor entry. This pattern of development is preferred for family housing and also creates a more vital street edge.

Figure 5. Architects rendering of revised concept for Douglass Plaza. Architect: Vitols Associates. Courtesy of Boston Redevelopment Authority.

61 The BRA noted that as developer's the BLC had a suburban focus and had not worked in Boston previously. Their first architect responded to those suburban interests and not to those of the BRA. Half-way through the process the BLC changed architects in an effort to expedite the design review process.

62 The first floor units have leased well at Douglass Plaza.
To create a suitable urban density, the BRA suggested condensing the project onto one-half of the original development parcel. This suggestion precipitated a search for additional funds to construct a new street, provide the associated infrastructure and create an underground parking garage.\textsuperscript{63} While the revised plan was being formulated the concept of street level retail was introduced.

The BLC would have preferred to include more first floor residential space in lieu of the retail component but were pressured by the BRA. According to the BLC's project manager, the BRA wanted Douglass Plaza to provide between ten and eleven thousand square feet of retail space. A compromise was reached and approximately seven thousand square feet were included in the development program.

The retail space could have been located along any one of four streets surrounding the site; (see Fig. 6) however, the logical choices were Tremont Street or Columbus Avenue. In the opinion of the BRA, Columbus Avenue had a more residential character because it is across from the Carter Playground. The Columbus Avenue side appears to have more pedestrian activity because of its proximity to the park and to the Massachusetts Avenue MBTA orange line station. Tremont Street had historically been a retail area and was

\textsuperscript{63}A Community Development Action Grant (CDAG) funded reconstruction of one street, the reconstruction of a new street and the construction of the plaza in front of the project.
recognized as a major neighborhood corridor by the BRA. It was the BRA's plan to recreate that retail base and augment retail activity along Tremont Street. So Tremont Street was selected as the street which would have the retail frontage.

Figure 6. Douglass Plaza site plan.

Douglass Plaza is located on the fringe of a marginal neighborhood and has neither the benefit of location nor of accessibility. It is neither a downtown location where a retail area might receive a lot of pedestrian traffic, nor is it a suburban convenience center which people can drive to and easily park. At Douglass Plaza there is no
convenient surface parking for the retail uses: a result of the BRA's design concept.

Design of the retail space at Douglass Plaza does not meet the fundamental requirements of major retailers. At the corner of Tremont Street and Douglass Park, where the retail is located, the building is curved. The curvature of the space makes it unattractive to many merchants. Major tenants, such as national drugstore chains, have specific space and accessibility requirements. They are generally inflexible about changing these unless they can be compensated by another aspect, such as a superior location with lots of pedestrian traffic.

The BLC had hoped to provide some limited, yet convenient surface parking for the retail space. Both the BRA and the MHFA pushed for the inclusion of an underground parking garage which the BLC views as an unnecessary expense. The parking garage is for tenants only, but some spaces are available for the retail employees. The BLC estimates twenty-five percent of the parking spaces are surplus.

The retail at Douglass Plaza is a neighborhood cluster. The prominent corner location favors retail, but the attachment of residential uses to each end isolates the retail and eliminates the possibility for any future continuity of retail along Tremont Street. Also, it is the developer's perception that the retail component is so well
integrated into the design of the building it does not create a strong retail identity for the tenants.  

**Management**

The retail component places only a small additional burden on management. Maintenance, trash removal, and security would have been necessary for the residential portion in any event. Security is provided for the building in the form of surveillance cameras and security guards. The BLC does not regard crime as an issue of concern to potential retail tenants.

**Financial Considerations**

The MHFA financial commitment to Douglas Plaza is subject to fourteen special conditions, two of which pertain to the commercial space. These conditions reflect the MHFA's lack of confidence in the viability of the commercial space. Condition number seven requires "the owner to post a Letter of Credit in the amount of $336,864 as a working capital contingency; to be released at sustaining occupancy of the residential and commercial space." Condition number nine requires the general partners to execute a master lease for the commercial space and parking in the

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64 Project manager Jeffrey M. Goodman of the BLC, interview by author, 26 June 1991, Boston.

amount of $192,494 for the initial year. These guarantees recognize that these small commercial spaces are difficult to lease quickly. Realistically, the MHFA is uncertain as to the protection offered by the guarantees they require of the developers; as they may prove difficult to enforce.

Leasing

Leasing of the commercial space began in the winter of 1990 when the new road and plaza were complete. Prior to completion of that area, the developer thought that it would be difficult to interest potential tenants in the space (echoes of Church Park). The space was not subdivided to allow flexibility in addressing tenants needs. The first tenant was a mortgage origination office occupying seventeen hundred square feet, and as of July 1991, leases have been signed with a hair salon, and a tailor. Twenty-five hundred square feet are still available for rent.

The developers are seeking uses which will enhance, or at best be neutral in the residential environment, rather than uses which will reinforce the neighborhood's negative image. Walking through the neighborhood, one notices a great disparity between the quality of new retail at Douglass Plaza and the existing retail in the area. Liquor stores, video rentals, bars and convenience stores

66 Ibid.
proliferate in the neighborhood and the BLC received many inquiries from purveyors of these goods who were looking for additional space. Also, the developers must be sensitive to issues of public morality. Because of the CBC's involvement the following retail activities are barred from the project: video stores which offer pornographic videos, even though they are not displayed, convenience stores which sell lottery tickets, and liquor stores. Fast food establishments are also considered undesirable tenants because of the associated cooking odors.

Due to the current market downturn, there are many vacant stores and therefore competition for tenants in the Lower Roxbury/South End neighborhood. The development proforma projected retail rents of $15.00 per square foot but in the current depressed market rents are only $10.00 per square foot.

**Experience Gained: Effectiveness of the Policy Driven Approach at Douglass Plaza**

In hindsight, the BLC feels that they should have fought harder to eliminate the retail component. In the words of the project manager, "it [the retail] doesn't work, it doesn't fit any mold . . . the vision was flawed from the start."§§

§§Project manager Jeffrey M. Goodman, Esq. of the BLC, interview by author, 26 June 1991, Boston.
Although it is too soon to predict the ability of Douglass Plaza to meet the BRA's long term objectives, we can evaluate the short term performance of the retail component. The following BRA action clearly speaks to yet unrealized expectations. Approximately five or six months ago, the BRA put together a marketing brochure to promote retail/commercial space in similar mixed-income residential projects throughout the Lower Roxbury/South End neighborhoods; Douglass Plaza was included. The BRA undertook this at their own initiative in an effort to counteract the poor initial performance of the retail component in these residential projects.\footnote{Ibid., 29 July 1991.} Consistent poor performance of retail components may affect the BRA's ability to extract similar exactions in the future. The BRA may be awakening to the need for an immediate market to support the retail uses.

Church Corner: Cambridge, Massachusetts

Church Corner is a new development in Cambridge's Central Square neighborhood. Completed in the spring of 1987, as the local real estate market began its decline, the project has not had any apparent difficulties in renting either the residential units or the commercial space. Its success is attributable primarily to its Central Square
Site Characteristics

Church Corner is located at the corner of Magazine Street, Franklin Street, and Green Street in Central Square (see Fig. 7). The project provides eighty-five units of mixed-income housing and approximately three thousand square feet of first floor commercial space. The parcels were previously occupied by a dilapidated, one-story structure which contained three retail stores. The site was also used for parking.

Figure 7. Site plan. Courtesy Cambridge Community Development Department.
Project Initiation

Church Corner was initiated by Winn Development who purchased the land from a private owner. Church Corner is characteristic of a residential infill project designed to fill an existing neighborhood need for mixed-income housing.

Objectives

The City of Cambridge "encourages" active ground floor uses in multiuse districts like Central Square. Retail is permitted but not required under the existing zoning.69 According to the Cambridge Community Development Department, Housing was the priority, then providing parking, then retail in the leftover space. No market studies were required but there was an expectation that there would be an interest in the space, even though it is not prime space and sort of out of the way.70

It is the recollection of the community development staff that there was no requirement placed upon Winn to provide an equal amount of retail space as a replacement or to offer the new space to the existing retail tenants. Winn included the retail at their own initiative. There were two merchants in the old building at the time of its demolition. One of these, a dry cleaning establishment, now occupies

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69 In some areas between Harvard and Central Squares, the zoning ordinance actually excludes ground floor retail but permits office use. In these areas the neighbors are concerned that retail uses will be bad neighbors, i.e., dirty, loud, and exacerbate traffic and parking problems.

70 Land use and zoning director Lester Barber of the Cambridge Community Development Department, interview by author, 25 June 1991, Cambridge.
space in Church Corner.

The project required a comprehensive permit for dimensional variances and a slight increase in density. Approximately seventy units would have been permitted as of right. The comprehensive permit process would have been the arena for negotiation if any were to occur.

Design

There was no strong opposition to the project but there were concerns about the bulk of the building and its relationship to the church next door, a national historic register property. The concern was not that the proposed retail units would face the church, but rather with the building's overall mass.

Parking is exclusively for residential use; some is underground and some is structured in the lower levels of the building.

The community development staff believed that residential units on the first floor would be undesirable due to the building's location, on the fringe of the somewhat seedy Central Square area. In that neighborhood, it is difficult to make first floor residential units attractive to occupy work due to security concerns and the busy retail nature of the area. The community development staff believed that in an urban setting residences should require greater setbacks and screening from street noise and
activity; which was not possible on the Church Corner site.

There are a few first floor residential units along Franklin Street. The design of these units clearly reflects the architect's, or perhaps the developer's concern for security. Unlike Douglass Plaza in which virtually all of the first floor units have their front entry directly on the street, the first floor units at Church Corner are accessible only through the main entry. The windows are separated from the street edge by a brick planter with a short wrought iron fence on top which acts as a buffer, distancing the window from the street and making it less accessible.

This view, that in some urban locations retail is the only appropriate first floor use, is shared by most planning agencies and to some extent by the MHFA. "Retail is a natural use for the first floor as it provides a friendly face to the street." The retail space could have been located along any one of three streets surrounding the site; however, Magazine Street was the logical choice. The Magazine Street side has more pedestrian activity because of its proximity to the main intersection at Central Square. It is also the most prominent face of the building as seen

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from the square. Green Street is virtually an alley with the exception of one establishment, the Green Street Grill, a bar and restaurant, while Franklin Street is residually oriented.

**Experience Gained: Effectiveness of the Market Driven Approach at Church Corner**

Church Corner represents a market-driven approach initiated by the private sector, in which the main objective was the provision of affordable housing. The project has met the short term expectations of the developer, the City of Cambridge, and the MHFA. The residential component leased-up well and the retail did not lag significantly. The project is currently meeting proforma expectations and one would expect that pattern will continue. The building is very striking and certainly helps to improve the image of the Central Square neighborhood (see Fig. 8).

Although all developments are negotiated to some extent, the City of Cambridge relies primarily on zoning to control and regulate uses as opposed to the BRA's negotiated approach. It is more straightforward than Boston's negotiated process and in this case at least achieves the desired result. Zoning establishes the basic rules of the game and if exceptions are not required, helps to streamline the review process. Given the opportunity, a competent developer will respond appropriately and will maximize
opportunities within prescribed guidelines provided that the financial return is commensurate with the additional risk, if any. Although retail was not required, Winn Development chose to include it in their development program and it contributes to the overall retail pattern at Central Square.

Effectiveness of the ULI Approach

Each of the case study developments met the ULI criteria to various degrees. Of the three developments, Church Park best exhibits all of the elements which Smart describes as being critical for the success of an infill project. However, simply fulfilling the ULI development
criteria did not result in an immediate success at Church Park. According to Smart the arcade, for example, would be considered a benefit. Here it has been more of a detriment than an advantage because potential tenants perceive it as obscuring the view of the shops from Massachusetts Avenue. The arcade, in combination with the deep setback from Massachusetts Avenue and the prohibition against external advertising has discouraged many likely tenants.

Douglass Plaza failed to meet the ULI criteria in two key areas; location and critical mass. A small neighborhood cluster can not offer its tenants the advantages that come from being part of a neighborhood retail center like Church Park, or part of a larger community retail center like Church Corner in Central Square. Without a critical mass of retail, many small merchants generally have difficulty attracting enough business to survive. These merchants benefit by "mooching" off the business generated by the anchors in a larger center. It is therefore difficult to attract many small tenants to these small neighborhood clusters. In addition, as in the case of Douglass Plaza, neighborhood clusters may not meet the needs of the larger retail tenant either. Therefore, neighborhood clusters have limited appeal to merchants.

Church Corner meets all of the ULI criteria but to a lesser degree than Church Park. Location is the most significant factor in contributing to the success of this
very small retail component.

Conclusion

The case studies illustrate three very different approaches public agencies can take towards the same end, neighborhood revitalization through the development of mixed-income housing that includes a retail component. Church Park represented a large scale urban renewal approach, Douglass Plaza a negotiated approach on a comparatively small scale, and Church Corner a traditional zoning approach also on a small scale.

Church Park and Douglass Plaza are both policy driven projects initiated by the public sector to achieve public objectives. In each case, this approach has produced mixed results. The policy driven approach does not appear to meet short term objectives of either the planners or the developers.

Church Corner exemplifies a traditional development process whereby the planning agency, through zoning, establishes guidelines that allow a variety of permitted uses where appropriate. The developer, can then assess the ability of the market area to support the proposed uses. The market driven approach meets both the developer's and planner's short term objectives, but may not address long range planning goals.
These studies suggest that there are other considerations which directly affect the outcome of these retail components, such as the ability of the public agency to control and exert influence over the development process, and the general economic conditions of the neighborhood. There is a disjuncture between the neat and orderly development quality of the ULI criteria and the actual development process (of dynamic negotiation) that is the developer's reality. It is useful to have objective criteria such as the ULI guidelines to apply to a proposed development but factors other than the ULI criteria also affect the outcome of a project.
CHAPTER THREE
GENERAL CONCLUSIONS AND RECOMMENDATIONS

The final chapter draws upon the case study experiences to make general conclusions about an exaction which amounts to a policy-driven approach to retail development. The chapter suggests that there is an inherent conflict in using private developers to achieve public objectives. Finally it will recommend actions such that the planning agency, the developer, and the MHFA can find a common ground to help ensure development of a viable retail components and to reduce the burden of risk on any one participant.

General Conclusions

1. What is perceived as good planning is not always commensurate with a financially sound project, particularly in the short run - the critical part for the bearer of the note and the payer thereto. Therefore, retail development is generally more successful if it is market driven as opposed to policy driven.

A market-driven approach has a good expectation of succeeding in the short term. This applies to both the residential and retail components.

A policy-driven approach while energized by the public sector is an entrepreneurial approach when used as a catalyst for neighborhood reinvestment. This approach
carries with it the risk that the project may not be immediately viable in the short term because the market is ill-defined or non-existent. Although the urban renewal process by which large projects such as Church Park were created is universally criticized, it illustrates the advantages of large scale development here its size creates a large portion of the market necessary to support the retail. The extent to which the scale of a development can influence the market should determine the amount of control each participant can exercise throughout the process.

The entrepreneurial planning agency, does not assume or participate in the risk of this business venture. The risk is shifted to the developer, and ultimately to the MHFA since their ability to enforce the developer's guarantees has not been consistently proven.

2. Small scale infill projects like Douglass Plaza are only likely to achieve public policy objectives and create viable neighborhood retail districts in the long term due primarily to location, critical mass and neighborhood economic conditions.

The retail component at Church Park, a disaster in the short term, proved eminently viable in the long run. This kind of success story validates the planning agency's objectives and supports their vision of the future.

Douglass Plaza, although on a much smaller scale, is now what Church Park was twenty years ago; an image-setting
development and a symbol of neighborhood reinvestment. The processes were different, an urban renewal versus a neighborhood based process, but the objective of the planning agency remains the same. Like Church Park it will probably have to wait for the neighborhood to improve sufficiently before it becomes a viable retail space. How long the developer can wait is a key issue that must be addressed in this search for common ground.

3. The inclusion of a retail component to achieve public sector goals while minimizing risk to the developer and financing agency can only be realized if the planning agency is willing to share the risk in return for the provision of an amenity. Risk is greatest in publicly initiated projects where planners require developers to provide a retail component in anticipation of a future market and the timing of that market is unknown. In these situations the planning agency must be willing to share the risk associated with their requirement, and act to reduce those risks as much as possible.

4. The planning and design guidelines suggested by the ULI for infill development can be followed to contribute to, but will not ensure a project's success. The ULI development guidelines address only the physical, controllable aspects of a development. While these are important, each project is affected by other externalities which contribute its success or failure. The primary factor
being general neighborhood economic conditions.

5. The inclusion of a retail component is not always appropriate. Sometimes there is already sufficient retail space in the community. Resident's comments in the SENHI study showed that the neighbor's support for the provision of new retail space is mixed. Although many residents support the planners ideals, there is a more pragmatic group who would prefer to see the existing, under-utilized retail opportunities in the neighborhood enhanced and improved and public/private efforts concentrated on the provision of quality housing.

This view was supported by the comments of the Fenway residents, after the development of Church Park, which led us to conclude that it is the provision of good housing opportunities, not retail that contributes most to the revitalization of a neighborhood.

On sites where ground floor retail is not required from a design and safety standpoint, as was appropriate in Church Corner and Church park, the provision of retail should not be forced.

6. There should be an identifiable market for the retail but the timing of that market should also be carefully analyzed. The Hunneman market analysis for the Fenway area was correct in its predictions. However, throughout the study there was no mention of how long it would take for their projections to be realized.
The infusion of a neighborhood with a new residential population will begin to strengthen the market for retailing. Private developers can be expected to fill that need when it materializes.

**Recommendations**

These conclusions suggest that the potential for the provision of a retail component in a mixed-income housing development varies enormously and that while its inclusion may be appropriate from a long-term planning point of view, is not always appropriate from a financial perspective. However, the likelihood that the current "exactions" will continue is great. Given the current downturn in the local real estate market, the prospect that these objectives will be met in the short term by the private sector, although preferable, would be an unrealistic view.

What then is a way in which the public agency, the developer, and the MHFA, i.e., the lender, can find common ground? Each participant should start by attempting to understand each other point of view.

**The Planning Agency**

1. The planning agency must recognize the exaction-like quality of their current policy and be willing to share the associated risk. Such public agencies are taking an entrepreneurial approach to development often at the
developers expense. They could be a party to the retail guarantee presently required of the developer by the MHFA. For projects where the short term viability of the retail component may be in question, the promise of funds and other assistance to support long term planning objectives would be viewed as an important gesture of confidence and support.

2. The planning agency should take a stronger interest in the functional and financial aspects of a project, rather than focusing almost exclusively on the public realm. Although image is an important aspect of these projects; tenants provide the income necessary to meet debt service payments. The inability of a development to attract retail tenants will ultimately have a negative impact on the residential portion of a project. Vacant retail space does not contribute to the vitality of streetlife no matter how good it looks from the public realm.

3. The planning agency should consider major policy revisions. Whyte is of the opinion that, "Cities would do well to have the discipline of a good statute." Boston, in particular has a penchant for the unwritten policy: "In Boston, a lack of written rules - not an excess - makes building so frustrating. Zoning is so outdated that every

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73 Whyte, City, 228.
large-scale project is treated as an exception."74

Wherever possible, development policies should be explicit in the amount of retail required. This would ensure that future development will eventually provide the critical mass necessary for a viable retail district. If retail unequivocally belongs in a given location, then it should be required through zoning. Then it will cease to be thought of as an exaction and the developer can choose to play by the rules or not. If the planners fear that a retail mandate would discourage interest in the project, then the policy should be changed to reflect the fact that the developer is providing an amenity and some sort of bonus incentives should apply. The current situation is most unusual; unlike other forms of linkage, a developer is not compensated for the provision of an amenity.

4. In Boston, the BRA could improve their efforts to work with the business community. Through existing programs of the Public Facilities Department they could work with the developer to attract tenants to the new space, or to improve the existing, under-utilized retail properties in the neighborhood.75 For projects where the viability of the


75 The Neighborhood Commercial Development Bank (NCDB), Loans to Encourage Neighborhood Development (LEND), and BUILD, are three programs available to eleven of Boston's neighborhood business districts. Also available are programs which provide funds for streetscape improvements and technical assistance.
retail may be in question, promotional efforts should begin early; as soon as the plan and development program are finalized, not after projects have been identified as being problematic. These simple actions may help make a difference.

The MHFA

The MHFA promotes itself as an agency with a public purpose. An agency that is "beyond bricks and mortar", that prides itself on having a human services component (TAP), and that has a comprehensive residential design review process, uncommon among lenders. Anyone familiar with the MHFA knows that they are involved in their residential projects. Yet, when it comes to matters involving the inclusion of commercial space in their projects they are uncharacteristically aloof.

Among MHFA staff, there is a prevalent attitude that the commercial component represents an insignificant percentage of a project and does not merit special attention. They share the developers's view in that they see themselves as residential experts, without sufficient expertise to be comfortable in transactions involving commercial real estate. In considering only the underwriting requirements of tax-exempt bond financing they are taking an approach which is atypical of the agency.
Their perspective is to stick to what they do best, financing residential developments, and allow the BRA to do what they do best, neighborhood planning. As the MHFA director of development put it, "by the time a project comes to the MHFA for financing, the developer and the BRA have already entered into negotiations." Therefore, it appears that the agency is reluctant to interfere in the development negotiations taking place between the BRA and the Developer. The MHFA maintains an arms-length approach to the retail/commercial component of a project.

At a minimum, the MHFA should try to be more explicit in its policies governing commercial uses. There is little information available to assist the developer seeking to include a retail component. The MHFA, as lender, has ultimate risk for the project, therefore they should at a minimum set forth their expectations and perhaps some guidelines for the inclusion of commercial space. Given that the MHFA does not have commercial expertise within its staff, this would be a good area for BRA and MHFA collaboration.

The Developer

The developers of most MHFA financed, mixed-income projects are self-described residential developers. They do

76 Director of development Robert L. Pyne of the MHFA, interview by author, 21 July 1991, Boston.
not feel comfortable developing commercial space; therefore, they would be well-advised to better educate themselves about the basics of retail space development. In this way, they would be able to take a stronger position when negotiating the specifics of the program with the public agency. Developers should also confirm that their architects understand the spatial requirements major retailers are looking for. They must take the lead to ensure the most viable development of the space because, as the Douglass Plaza case study clearly illustrated, no one is doing it for them. The BRA and the MHFA each have their own review agenda and the two do not necessarily coincide.

Conclusion

For developers and planners to find common ground they must devise a *modus vivendi* that accommodates each other’s needs. Planning ideals, economic development objectives and financial feasibility must be integrated.

The planner’s ideals and objectives are intended to promote the public interest and make our society a better place to live. It is not equitable for local governmental agencies to require a discrete part of society, i.e., developers, to bear the cost and risks required to effect this benefit without a *quid pro quo*. Planners must either
put more incentives on the table, share the associated
risks, or be more selective in their imposition of a retail
requirement. Incentives may take the form of tax benefits
or zoning incentives."

Whatever strategy the planners choose it should
reflect a market reality. Many communities would applaud
the provision of mixed-income housing as a laudable goal
needing no further enhancement. In areas where the
inclusion of a retail component is pushing ahead of the
market, the balance of risk and reward must be carefully
considered before committing to a development program.

In spite of their best efforts, planning agencies may
not be able to achieve the neighborhood ideal that inspires
so much of their work and demands on developers. The
planner's idealism concerning the benefits resulting from
requiring small shopping clusters, i.e., that such clusters
would provide a fertile ground for small locally owned
businesses employing neighborhood youths, opportunities for
residents to interact as members of a community, and a vital
street life may just be an unrealistic expectation, but
still a worthy goal.

"The losses that a developer may suffer from having to
provide the retail space may very well provide no current tax
benefit because of the passive loss restrictions enacted in
the 1986 Tax Reform Act (TRA). That restriction should be
eliminated where the losses are caused by the requirements of
local government authorities. Such losses should result in
current tax benefits which would help the developers cash
flow."
APPENDIX

The three case studies present a cross-section of mixed-income residential projects. Selection was based primarily on four factors: (1) projects must involve MHFA tax-exempt bond financing and include a retail/commercial component; (2) projects must be developed over different time periods; (3) the retail components must vary in size; and, (4) the projects must be all new construction as opposed to rehabilitation.

Only projects financed through the MHFA were chosen because it is generally the primary source for financing mixed-income housing developments. Also, the agency has identified the inclusion of a retail/commercial component in its residential developments as problematic in many cases, and has changed their viewpoint on it over the years. Also, MHFA financed multi-family housing projects start with a public purpose, the provision of mixed-income affordable housing. Residential development projects are highly scrutinized by MHFA staff from both a design and financial standpoint.

Projects developed over different time periods would reflect changes in development trends, in public policy, and in attitudes towards retail/commercial development in residential buildings.

Projects were selected with retail components of
different sizes to explore the impact of size and critical mass on project feasibility.

The new construction requirement significantly decreased the number of projects to be considered. Rehabilitation projects were avoided because the physical constraints which accompany the existing structure often dictate a particular use, size, or design.

After looking at numerous projects, I chose three which represented a range of different forms a retail component could take. Also each project was initiated by different parties, under different circumstances.

At one end of the range is Church Corner, with eighty-five residential units and a minimal retail component of 3,028 square feet. At the other end is Church Park, with 508 residential units and a substantial retail component of 72,070 square feet. Douglass Plaza is in the middle with 122 residential units and seven thousand square feet of retail space. There were no MHFA financed projects of new construction between seven thousand and seventy-two thousand square feet.

To obtain information regarding the inclusion of a retail component I spoke with the developers' of two of the three case study projects; the local planning agencies, the Boston Redevelopment Authority and the Cambridge Community Development Department; and the financing agency, the MHFA, to better understand their individual perspectives and
motivations. My conclusions are based on information obtained during these interviews, and by direct site observations.\footnote{Data reflects conditions as of June 1991 unless otherwise specified.}
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