

RICHMOND'S 6TH STREET MARKETPLACE
ASSESSMENT OF A FAILED FESTIVAL MARKET

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SUBMITTED TO THE DEPARTMENT OF URBAN STUDIES
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE DEGREE
MASTER OF SCIENCE IN REAL ESTATE DEVELOPMENT AT THE
MASSACHUSETTS INSTITUTE OF TECHNOLOGY

SEPTEMBER, 1989

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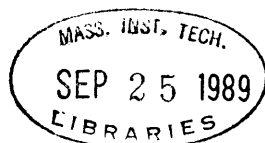
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Submitted to the Department of Urban Planning on August 18,
1989, in partial fulfillment of the requirements for the
Degree of Master of Science in Real Estate Development.

ABSTRACT

The purpose of this thesis is to determine what factors may have contributed to the poor performance of festival markets. To understand the possible pitfalls of this redevelopment tool, we examined Richmond's 6th Street Marketplace, the first festival market to experience so dismal a performance that the city asked developer James Rouse to leave as equity partner and manager.

The Richmond experience evidenced that strong local leadership was sufficient to build and finance the marketplace but not enough to sustain it. Festival markets were still untested at the time 6th Street was planned. Rouse was unaware of the demographic requirements of the market's customer base. Nor did he know what scale of project could be successful. Captured by the idea of building a bridge between the black and white communities, Rouse constructed an inefficient and inflexible building and was unable to adjust to the customer profile attracted to this location. The site selected provided few amenities to complement the marketplace and presented economic and psychological barriers to potential visitors. An alternative site offered greater amenities and competed with the marketplace for food, entertainment and specialty item customers. The marketplace did succeed in keeping two major department stores in the city. It also improved the image of downtown Richmond. However, the burden of providing ongoing financial support for the facility offset this benefit.

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INTRODUCTION

Few innovations in urban planning and development have generated as much enthusiasm as festival marketplaces. In the mid-1980's every mayor envisioned revitalizing his moribund downtown or replacing his rat-infested waterfront with thousands of people strolling in and around colorful glass pavilions filled with restaurants and unique shops. However, by the close of the decade, the bubble had burst. Several marketplaces were drowning in red ink. Cities were turning down proposals for festival markets, and developers were loath to allow their projects to be identified by the term. What caused this rising star to fall so quickly?

The purpose of this study is to determine what factors may have contributed to the poor performance of festival markets. Are there inherent problems with this form of retailing? What factors in the success of Harborplace and Faneuil Hall were missing in Richmond? Can cities reap benefits from faltering festival markets? What crippling mistakes can cities and developers anticipate and avoid?

To understand the possible pitfalls of this redevelopment tool, we will look briefly at the history of festival markets, provide a definition of the concept, and identify what might be the keys to the success of such

ventures. We will then apply these factors to a detailed examination of Richmond's 6th Street Marketplace, the first festival market to experience so dismal a performance that the city asked developer James Rouse to leave as equity partner and manager.

THE ORIGINS AND EVOLUTION OF FESTIVAL MARKETS

In 1976 architect Benjamin Thompson teamed with developer James Rouse to rehabilitate Faneuil Hall, a 18th century produce market a block from Boston's Harbor. The project represented the final stage of Mayor Kevin White's redevelopment of the downtown government center. On opening day only one building was ready for business. Yet 10,000 people attended the opening ceremonies. About 100,000 people visited the first day and 10 million people came in the first year. {1} First year sales were projected at \$222 per square foot, but they actually reached \$228, well above that of conventional shopping centers. {2}

In 1980, Thompson and Rouse built another festival market in Baltimore's Inner Harbor. Rouse was more apprehensive about the Baltimore project. The city and the metropolitan area were much smaller than Boston. "Boston was the capital of New England with 11 million people. Baltimore was the capital of nothing with the nation's capitol 35 miles away." {3} Nevertheless, on opening day half a million

people came. Over 14 million people visited in the first year. {4} Harborplace thrived alongside museums, marinas and an aquarium. In its first year sales per square foot were anticipated to reach \$292, but they amounted to \$420. The city and state expected to receive \$2.5 million in taxes but Harborplace actually generated \$3 million in new taxes. {5}

If Faneuil Hall didn't win over the sceptics, Harborplace did. It proved that the model could be replicated. However, the formula for the success of these ventures had not been clearly determined. The prototypes would have to be evaluated to determine the answers to several questions. Just who were these customers and where did they come from? Both Boston and Baltimore were located in large metropolitan areas. What was the minimum population size needed to support a festival marketplace? Boston's first year success was derived from only one component of the project, the 75,000 square foot Quincy Market. Was this the necessary critical mass, or could the model be scaled down? Baltimore was not a tourist city before Harborplace, yet over five million tourists visited the city in its first full operating year. {6} Could this model generate such a shot in the arm for other cities? These ventures were highly profitable, throwing off twice the revenue of traditional shopping centers. Each project exceeded pro forma projections by about 28%. {7} Could this new panacea deliver for other downtown developers?

In 1981, James Rouse retired from the Rouse Company to form the Enterprise Development Corporation (EDC), a for-profit development company. He intended to use the wealth generated from commercial real estate projects to improve the housing conditions of the urban poor. Building on the success of the festival marketplace model, Rouse planned to build similar projects in smaller cities. Once these projects began to make a profit, the money would be channeled into the Enterprise Foundation, the nonprofit conduit for financing low income housing.

The entry of Enterprise into the festival marketplace arena marked the beginning of the development of such markets in small cities. Enterprise also changed the role of local governments in implementing these projects from facilitators to shareholders in the risks and rewards. Rouse offered this description of EDC's first development in Norfolk, Virginia.

The city wanted the project done, and we agreed to do it if they created a park, put the bulkhead along the waterfront, provided a garage and put up all the money for the marketplace. We then received a fee, and eventually when the project could pay debt service on the financing, we would then split the cash flow. So it was a no-investment, no-risk [deal], and the opportunity to make money over time. {8}

In 1983 the \$13.5 million Waterside project opened along the Elizabeth River in Norfolk. Enterprise projected first year sales to reach \$250 a square foot. {9} Waterside generated \$340 per square foot in that year, again exceeding initial forecasts. {10} The project generated 1,200 jobs, and

brought in \$1 million a year in new taxes. In 1989 the city had plans to expand the marketplace. {11} Subsequent EDC festival markets have met with less success.

In the mid-'80s problems with the festival market approach began to surface. In 1984 Enterprise built a \$14.5 million project in Toledo, Ohio called Portside. In its first year the project attracted 4.5 million visitors. Two years later it was attracting half as many. After putting \$1.5 million of its own money into an effort to sustain the project, EDC was dismissed as manager by the primary lender, a Toledo bank called Trustcorp. {12}

In 1985 Rouse celebrated the opening of the \$15.75 million Water Street Pavilion in Flint, Michigan. Four years later the merchant stalls in the market were almost empty. Only a grant from the Mott Foundation has kept it open. Richmond's \$25 million 6th Street Marketplace opened the same year. The project lost \$1.3 million in its first year. {13} Forced to carry heavy operating deficits, Enterprise pulled out of both projects. Faced with the prospect of having to commit public funds on an ongoing basis to proposed festival markets, Pittsburgh and San Antonio turned down deals with Enterprise. {14}

Small cities were not the only places having trouble. The Rouse Company's South Street Seaport in Manhattan lost money ever since it opened in 1983. By March of 1989 only

seven of the 22 food outlets that once filled the second floor were still operating. The rest left because of high rents and low sales. {15} Two other Rouse Co. projects also lost money. In New Orleans, Riverwalk generated 15% fewer visits than expected. The Rouse Co. undertook a \$4.5 million remodeling effort just one year after the marketplace opened in order to rekindle customer interest. The \$93 million Bayside Marketplace in Miami that opened in April of 1987 fell \$18 million short in sales and two million visitors short in its first year. {16}

The most telling sign of the growing disillusion with festival markets was evidenced by the Rouse Company's announcement in 1987 that it would build no more downtown specialty marketplaces. {17} Critics viewed this shift in sentiment by the parent company of festival markets as signalling the end of an era. Enterprise also pulled back from further financial exposure. Of the nine marketplaces EDC built since 1981, only five remained in their portfolio by December 1988. Two of these were for sale. {18} Enterprise has continued to build festival marketplaces but no longer in small cities. In 1988 EDC expanded the marketplace concept overseas with the opening of Darling Harbourside in Sidney, Australia. Other projects were planned for Glasgow, Manchester and Birmingham. The company was also looking into the prospect of building an 80,000 square foot marketplace near Long Beach, California. {19}

WHAT IS A FESTIVAL MARKETPLACE

Ask 50 developers for a definition of a "festival marketplace" and you're likely to get 50 different answers. Robert Barron, President and Chief Financial Officer of the Enterprise Development Company, explained that the term had been applied to such a wide variety of shopping and entertainment centers that it no longer accurately described the product. He preferred the term "festival retailing."

In defining the key elements of festival retailing, Mr. Barron offered a breakdown of the concept's parts: festival, market, and place.

Place: Festival retailing is creating a human scale environment and an ambiance that is attractive to people. It's a special place, somewhere people want to be for reasons other than shopping. They want to be there for just for the sake of being there.

Market: There is commercial activity. It's a place where goods are sold. But it's more than that. When we think of a market, we think of the old stall markets that used to operate in an earlier period. Quincy market in Boston operated as a stall market before it was renovated. Lexington Market in Baltimore is another example of a 19th century stall market.

Festival: This has several aspects. It's how the merchandise is presented. It's the type of merchandise. It's the design of the stores. In presenting the merchandise we try to be much more open. For example if you're cooking hamburgers, we want the grill up at the counter so people can see the food being made. If it's a bakery, the customer can see and smell the bread being made. From a retail store standpoint it's much more open

in its display and more specialized in its goods. The festival begins with the festival of the shops, the store design and the open common area with kites flying, bright and colorful. This contributes to a sense of place.

A conventional shopping center is a retail destination. In a festival market you don't have retail destinations. What you have are places that we hope will be enjoyable for people to be in. The commercial and entertainment elements are provided to cause people to come to this place.
{20}

Based on this description I would define the concept of festival retailing as a combination of setting and merchandising orchestrated to make shopping an entertaining, recreational experience.

COMMON CHARACTERISTICS

In practice the concept of festival retailing has several common characteristics.

Anchorless Retail: Typically festival markets are not anchored by department stores. Since there is no anchor to draw traffic, the level of patronage depends on a blend of stores, restaurants and settings that collectively create an attraction and generate frequent visits. In this regard it is akin to specialty shopping centers. Specialty centers derive their sales by attracting return shoppers to a unique mix of shops. Traditional malls on the other hand, depend on a high volume of shoppers attracted to department store destinations.

Tenant Merchandise Mix: What distinguishes a festival market from a specialty shopping center is its disproportionate emphasis on food and impulse goods. The tenant mix focuses on food and retail generally in a 60/40 ratio. {21} A specialty center may concentrate on specific products like women's fashion stores or on a specific segment of the market like off-price factory outlets. In each case the specialty retailer is trying to attract the serious shopper. Festival markets however, provide what real estate market analyst Melvin Levine would call "frivolous merchandise" suited to the impulse shopper looking for unique, one-of-a-kind items. {22}

Tenant Merchant Mix: The key to creating an inviting and enjoyable atmosphere is not only the goods sold but also the enthusiasm, vitality, and dedication to quality shown by the merchants. Local owner-operated businesses are most likely to provide this kind of personal attention to shoppers. This does not deny the potential for larger retailers to have these qualities. Mr. Barron suggested that some national chains fit into the format of a festival marketplace. However, most are not willing to be flexible enough in their merchandising to blend with the setting. {23} Festival markets have therefore sought small local merchants who might be operating a single store or several outlets within the region.

Patrons: The types of goods sold and the recreational

atmosphere define festival markets as attractions rather than shopping centers. Mr. Levine noted that about 70% of visitors come solely for the experience, about 25% intend to eat, and only 10% intend to shop. Moreover, about 60% of all marketplace visitors are tourists. {24} Also, expenditures per customer are very low in comparison with traditional shopping centers. Festival market expenditures average \$4 to \$5 per person compared with \$30 to \$50 per person at medium to better quality shopping centers. {25}

Unique architecture or location : In order to create a distinct and special identity, festival markets are designed around a unique architectural theme or setting. Historic restorations and waterfront settings have best served this purpose. However, other means of creating a unique setting and identity for such projects may be possible.

Although no specific building types best suit festival retailing, there are common attributes found in most festival markets. Exteriors of newly constructed markets consist of glass and steel structures that display the life within these facilities. Interior characteristics emphasize large pedestrian-oriented spaces with a mix of bright colors and sounds. Banners, shop displays, fountains, and staging areas for live entertainment provide this festive atmosphere. Significant pedestrian areas adjacent to festival markets are also important features.

Entertainment: The entertainment value of the place itself and the merchandising within are the primary attractions of a festival market. Magicians, puppet shows, and seasonal vendors provide additional attractions. They strengthen the sense of animation and festivity and bring a fresh experience to return visitors. Special events programming is another major feature of festival retailing. Stages are often provided for city-sponsored events such as concerts, outdoor exhibits, and annual festivals. These events promote the marketplace as well as the entire downtown.

The Urban Context: Festival markets have been seen as tools to revitalize blighted downtowns. Within this setting retail projects are but one component attracting people. A minority of the people entering downtown have shopping as their primary trip purpose. Downtown retailing derives strength from and gives support to a variety of business, governmental, cultural, and entertainment activities. Festival markets can benefit from the synergy of these activities. It is also true, however, that such projects are captives of their setting and may have to overcome physical and psychological resistance to visiting or shopping downtown.

Public Financing: Large-scale urban projects generally have heavy front-end costs such as land acquisition and site improvements. Festival markets are expensive to build and operate due in part to the size and extensive use of common

areas. In 1984, Rouse estimated that a typical project cost over \$200 per square foot to construct. {26} These projects are riskier than suburban shopping centers and returns on investment are not immediately realized. Bank and equity financing is often hard to find. For these reasons and others, public financial support has been essential.

In many cities festival marketplaces have obtained substantial federal funding. Columnist Neal Peirce reported that HUD records show 12 such projects received more than \$110 million in Urban Development Action Grant funds as of 1988. The corresponding city governments contributed another \$168 million in public funds. {27}

KEY INGREDIENTS FOR SUCCESS

Whether a marketplace is considered a success depends on one's point of view. Developers define success as a project that earns a profit, has few vacancies, and is well received by the merchants and their customers. City officials, on the other hand, may be proud of a project that brings life to a blighted downtown. If a project is to satisfy both definitions several conditions are essential.

Given the high costs and significant risks involved, festival markets cannot be developed without broad community

support. An entrepreneurial local government willing to share the risks, assist the developer in navigating the approval process, garner business support, and provide public financing is necessary to initiate these projects. Community consensus and political support for public financial assistance is essential and can only be achieved through aggressive public and private sponsorship.

Because per-person expenditures are low, festival markets must draw from a regional base sufficient to sustain the volume of sales needed to support the facility. Within that base, the marketplace must have access to a variety of customer markets. Cyril Paumier, in describing Faneuil Hall's customer profile, described the breadth that was available in Boston. He cautioned against developing festival markets in communities unable to offer such a variety of users.

The composite profile of Faneuil Hall Marketplace in Boston includes downtown, suburban, and exurban residents; downtown office and other workers; visitors to the state and regional capital for a variety of business and other purposes; tourists and travelers to and through New England in all seasons; students, faculty, and visitors to the city's many institutions of higher learning; diners and entertainment seekers; and a steady percentage of foreign visitors. In all some 15 million visits a year are recorded against a project of 220,000 square feet. {28}

Since the marketplace is primarily an attraction rather than a shopping center, the amount of money spent per customer

is a function of the amount of time spent in the facility. Therefore, there must be a critical mass of leasable space large enough to provide a variety of recreational and retail events. These activities must sustain interest and keep visitors on the site for several hours.

Festival markets must be located in places of high amenity that people already visit or want to visit just for the sake of being there. They are meant to be special places within a setting that is itself an amenity. Festival markets do not create the attraction so much as augment it. They are not meant to stand alone but to increase the volume of visitors attracted to this special place. Pedestrian-oriented settings with large public areas are needed to accommodate the volume of visitors and to link the market with other nearby attractions.

If the promotions held at the marketplace are going to benefit downtown as a whole, they must be coordinated with the parades, concerts, and other special events occurring throughout the city. To manage this effort the city must be willing to establish and fund an office of downtown promotions.

The desire to recruit unique merchants not found in regional shopping centers carries the risk of selecting merchants who are unfamiliar with this retailing format. Although they might be very successful as a stand-alone shop

or within a neighborhood center, the merchandizing, maintenance, and financial requirements may present aspects of retailing they have not experienced. Such merchants need care and nurturing if they are to survive.

PART II RICHMOND CASE STUDY

HISTORICAL CONTEXT

Throughout its history Richmond has been blessed with a strong and stable economy. While the tobacco industry is by far the largest employer, the region continues to maintain a stable mix of other manufacturing industries like metal production, paper, printing and apparel. Also, Richmond has been able to make the shift from manufacturing to a service economy. As the state capital, the city has benefited from continued growth in government employment. However, despite such economic stability Richmond's historical retail core along Broad and Grace Streets experienced a decline as one by one stores moved out to the suburbs. These stores were replaced by discount stores, carry out restaurants and marginal shops. By the mid-1960's the health of the retail core was tenuously held together by the presence of the flagship department stores of Thalhimers and Miller & Rhoads. These stores were located side-by-side along 6th Street. {29}

The history of urban renewal in downtown Richmond began with the construction of the Coliseum in 1964 on the northern edge of the retail district. In 1968 the city studied the area around the Coliseum. The possibility of a convention center was discussed, but no action was taken. In 1974 the City Council appointed a Downtown Development Commission to study a wide range of issues. The Commission hired a consultant to prepare a feasibility study for the construction of a convention center. In January of 1976 the Commission submitted the downtown's first formal plan called "A Strategy for Action." It outlined a general development program. Based on the consultant's recommendations, the Commission proposed the development of a 186,000 square foot convention center with 80,000 square feet of exhibition space. They also identified a top priority redevelopment site and called it Project One.

This nine block site was bounded by Broad Street, 7th Street , Clay Street , and 4th Street. {Figure 1} The Commission recommended that Project One be a mixed-use development undertaken as a private/public venture. In May of 1976 the city issued a Request for Proposals for the development of the Project One site and selected Gerald Hines Inc. as the developer. However, downtown renewal stalled when Hines withdrew the following year. {30}

The election of 1977 brought about a significant change

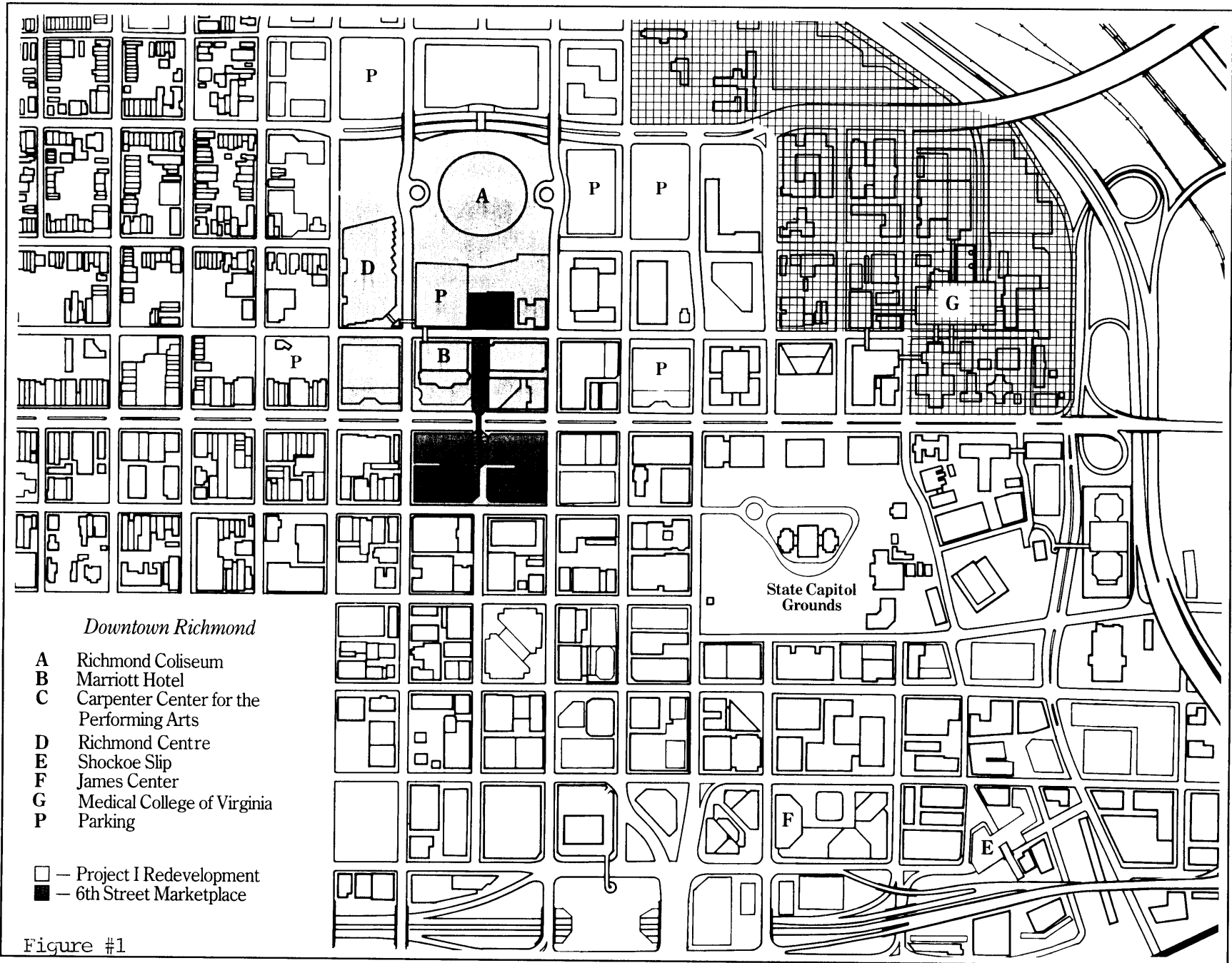


Figure #1

in Richmond's political environment. After a seven year court battle, the U.S. Supreme Court forced Richmond to end at-large elections and form a councilmanic ward system. Richmond voters elected a black majority City Council. In accordance with the city charter, the council selected the city's first black mayor, Henry Marsh. The white City Manager was fired and replaced by a black. The racial tension and mistrust spawned by these events cast a shadow over redevelopment efforts for several years. {31}

Mayor Marsh's efforts to implement Project One met with stiff opposition. In this conservative city the use of eminent domain to acquire private property was highly unusual. That a black mayor was perpetrating this act made the battle between the black politicians and the largely white business community more frustrating and bitter. However, by 1980 the city had completed the acquisition, relocation, and demolition of the Project One site and had acquired the existing parking garage at 6th and Marshall Street. Later that year they selected a local developer, Robert C. Elder, to build the office component. In September of 1981 they entered into an agreement with Landmarks Inc. a Minnesota based firm, for the development of a hotel. {32}

THE BIRTH OF RICHMOND RENAISSANCE

In the midst of the frustration of his early years in office, Mayor Marsh appointed T. Justin Moore, then Chairman

of Virginia Electric Power Company, to head a committee to study the prospects for downtown revitalization. Realizing that progress was impossible without cooperation between the white business leadership and the black city government, Mayor Marsh encouraged Mr. Moore to bridge this gulf and open communication between these groups. In 1982 these efforts gave birth to Richmond Renaissance.

Richmond Renaissance, Inc. was a bi-racial, non-profit, public/private partnership created to foster cooperation among the racial communities, ease communications between the community and local government, and stimulate downtown economic development. The organization had a 60-member board composed of the presidents and chief executive officers of 27 Richmond area firms, augmented by elected political leaders, city administrators, and community leaders. The board was 50% black and 50% white. T. Justin Moore served as the first board chairman and Henry Marsh's successor, Roy West, became its first president. The private sector contributed \$2 million toward the organization's initial budget, and the city council responded with an appropriation of \$1.25 million from its Community Development Block Grant funds. {33}

Beyond having these 30 whites and 30 blacks sitting together, Justin Moore and Henry Marsh knew that there had to be some tangible manifestation of this new partnership. J. Randall Evans, the first executive director of Richmond Renaissance, recalled that while these men were trying to

think of what that might be, they invited James Rouse to speak to civic leaders. Rouse spoke of his vision of the rebirth of cities and the potential impact of festival markets. The next day Rouse toured Richmond and looked at several sites the city officials wanted to develop. It was suggested that he locate near the James River waterfront, but he insisted that the project reinforce the downtown retail core. This brought him back to a site he had considered before. About ten years earlier the Rouse Company had considered an idea of combining the two large department stores. Rouse came up with the idea of building a "bridge over Broad Street" that would connect these anchors. This idea was so in tune with the community's goals that Mr. Evans commented...

Who cared about the market or real estate basis for the project. Broad Street was the historical dividing line between black and white Richmond [blacks on the north and whites on the south]. In the mind of Richmonders there was a big difference between the north and south side of Broad Street. So the idea of bridging this street took on many meanings. It was bridging this physical barrier, this mental barrier. It would symbolize the partnership between black and white, public and private. You could think about all the speeches that could be written with this idea. {34}

The prospect of reinforcing the downtown retail core and linking the department stores with the new Marriott Hotel, the Elder office building, the planned convention center and the Coliseum was in keeping with the objectives of the Project One renewal effort. That there was no opposition to this idea was a tribute to the accomplishments of Marsh and Moore in forming Richmond Renaissance. Evans noted that...

All the money, corporate interests, political interests, community interests were all on the board. If there were any opposing views, you would hear it there first. And after consensus was reached by the board, who in their right mind was going to stand up and say 'but I am against this.' {35}

The source of the idea also enhanced its credibility. Deputy City Manager Jack Berry recalled...

Everybody was enamored with Rouse. He was the genius who had brought back cities - Time magazine's Man of the Year. Everybody was so excited that Rouse was willing to come here and help us to do to our downtown what he had done to Baltimore's. {36}

PREDEVELOPMENT ACTIVITIES

With this grand idea in hand, Renaissance took on the role of project catalyst. They hired a local architectural firm to provide conceptual site plans and elevations. Funds were provided to Enterprise to pay for a market study.

The market study was prepared by Melvin Levine & Associates and submitted in October of 1982. This analysis indicated that marketplace sales would be drawn from four market sectors. The Richmond SMSA (the City and six surrounding counties) would provide 53% of the customers; 17% would come from the 24 Outer Richmond counties; another 17% would come from the 55,000 employees in downtown Richmond; and 13% from visitors staying in downtown hotels. {37}

Since Faneuil Hall and Harborplace were the only comparable projects in operation at that time, customer surveys of the Baltimore project were used to determine market share capture rates and expenditures. Based on these assumptions the first year (1986) sales volume for a 60,000 square foot facility was estimated at \$18.7 million. Sales productivity was projected to be \$312 per square foot. {38}

It was estimated that the marketplace would attract 3.5 to 4 million annual visitors. Many of these visitors would be drawn from existing attractions. Miller & Rhoads and Thalhimers attracted an estimated 1.5 to 2 million customers annually. The Coliseum had drawn 582,000 patrons during the '81-'82 season. The Virginia Center for the Performing Arts anticipated about 150,000 patrons. New visitors also would come from increased convention traffic upon completion of the Convention Center. {39}

Enterprise was still a fledgling organization in 1982. The Norfolk project was underway and several other marketplaces were under discussion; but the firm did not have a reservoir of capital to invest in these ventures. Before proceeding, Enterprise sought to ensure that the marketplace would be seen as a civic endeavor. In this partnership EDC would provide the development and management expertise while the city would provide the site and financing. Moreover Enterprise asked the city to provide the following specific

services:

- 1) Approximately 350 additional parking spaces would be added to the downtown.
- 2) A shuttle bus system would be developed to provide access from distant parts of the city - especially up the steep hill between the market and the financial district.
- 3) The city would establish an Office of Downtown Promotion to provide ongoing promotional and public relations activities for the festival marketplace and the total downtown area.
- 4) The city would strike the blue laws that would prevent sales on Sunday, an important day of activity for the center.
- 5) The city would provide extraordinary security and maintenance in the development area to bolster and maintain the exciting image portrayed by the festival marketplace.
- 6) The city would help Enterprise with land assemblage.
- 7) The city would coordinate the assemblage of the financial package, including contacting and negotiating financial support from local banks and corporate investors.

The city agreed to each of the issues and signed a letter of intent with Enterprise in November of 1983. {40}

The additional parking requested by Enterprise was provided by an 800 car garage located adjacent to the northernmost section of the project. An overhead bridge linked the Marriott Hotel and the Convention Centre to this facility. Financing was provided by a \$4.5 million revenue bond. {41} A 600 car garage located to the rear of the Project One office building was purchased and renovated by the Richmond Redevelopment & Housing Authority. It provided direct parking access to the central block of the marketplace.

The trolley was an easy sell. The city's financial district was located between Main Street and the James River about four to six blocks away. To travel from this area to 6th street was a trek up a very steep hill. Since the city desired to connect the retail and financial districts the trolley would provide quick lunchtime and early evening transport. A one way trolley ride followed a 12 block route and cost a quarter. The trolleys were operated Monday through Friday and were scheduled every six minutes during lunchtime and less frequently in non-peak hours. {42}

The birth of the promotions office, Downtown Presents Inc., was more difficult. Mr. Evans recalled that this was a political football. At issue was not the need for an office to promote downtown, but who would run it. The city manager's office, the Central Richmond Association of downtown merchants, Historic Richmond Inc., all had designs on this office. Eventually an independent board was establish to oversee its operations.

Additional security was provided by placing a small police patrol station at Broad and 5th Street. The blue laws were eliminated by the State Legislature.

OWNERSHIP STRUCTURE

The most difficult obstacle Renaissance had to face was

land assemblage. The siting of the marketplace required access to or acquisition of properties under the control of six different owners. Negotiations had to be completed with all of the concerned parties so that the developer would control one contiguous parcel. The most difficult of these was the negotiation of Thalhimers' acquisition of the land under its department store that was leased from the estate of Robert E. Lee. Thalhimers had been unsuccessful in previous attempts to purchase the site. Soliciting the assistance of Governor Charles Robb, the city convinced the Lee estate to relent. Renaissance then formed a shell company, Festival Diogenes Corporation (FDC), with Evans as its President. This corporation secured a long term leasehold interest from each owner for a nominal annual rent. FDC then master leased these interests for 99 years to the Enterprise subsidiary, Richmond Festival Marketplace Partnership. {43}

The master lease defined how the city and developer would share the monetary benefits of this public/private partnership. FDC would charge the Marketplace Partnership an annual base rent of \$1,000 and a percentage rent equal to 40% of the net cash flow after debt service. After the first 15 years the percentage would be reduced to 15%. As an incentive to manage the project profitably, the Marketplace Partnership would receive an increasing percentage of the available cash flow up to a flat rate of \$195,000. On the third anniversary of completion, the Partnership would receive a development fee of \$300,000 paid quarterly over five years. {44}

FINANCIAL STRUCTURE

Obtaining financial support from local lenders and investors was somewhat easier. With the help of the Renaissance board, the private sector enthusiastically performed its civic duty. Five Richmond Banks- United Virginia Bank, Consolidated Bank, Sovran Bank, Bank of Virginia, and Central Fidelity Bank provided a conventional loan of \$4.8 million and purchased a revenue bond of \$1 million. The term of each loan was 32 years and they were secured by first and second leasehold mortgages. Interest rates on the loans were 10.5% and 12% respectively. These rates were well below market rates at the time and indicated the banks' willingness to shoulder the added risk required to make the project work. {45}

Equity financing was provided by a six-member limited partnership that raised \$2.5 million in syndication proceeds. The partnership was formed by Wheat First Securities, and included Ethyl Corporation, James River Corp., A.H. Robbins Inc, Best Products and Circuit City. These corporations originally planned to provide \$3.13 million. This commitment was reduced when the National Park Service denied historic tax credits for the rehabilitation of the Blues Armory. {46} A \$500,000 donation from the two department stores and city funds filled this gap. {47}

The city's share of direct construction costs came from several sources, a \$4.2 million Urban Development Action Grant (UDAG), \$1.7 million in Community Development Block Grant funds, and \$6.8 million in city funds administered by the Richmond Redevelopment and Housing Authority. These funds were pooled to form a \$3.2 million grant and a \$9.5 million loan secured by a third mortgage on the leasehold elements. Repayment terms were structured as a percentage of available cash flow after debt service was paid to the senior lenders. If funds were not available to cover the city's debt, payments would be deferred with interest accruing on the outstanding principal at a blended interest rate of 3.5% to 4.2%. Minimum payments of \$100,000 became due in the sixth year of operations. {48}

The city's financial obligations did not end there. An additional \$2.5 million in HUD Section 108 funds were allocated to pay for the public infrastructure. This involved the relocation of utilities, closing streets, paving sidewalks, landscaping, and building a park at the north end of the marketplace. Finally, in addition to providing the staff time and funds for the cost of the feasibility studies, Richmond Renaissance obtained \$800,000 in local business contributions toward the construction costs. {49}

Public/Private Financial Contributions Summary

Public Partners	Amount	Type	Source
City of Richmond	\$1,750,000	Grant	CDBG Funds
City of Richmond	\$2,500,000	Grant	HUD Sec. 108
City of Richmond	\$4,200,000	Loan	UDAG Funds
Housing Authority	\$1,481,200	Grant	City Budget
Housing Authority	\$5,345,000	Grant	City Budget
Private Partners			
5 Bank Consortium	\$4,870,000	Loan	Commercial Mortgage
5 Bank Consortium	\$1,000,000	Loan	Revenue Bonds
6 Limited Partners	\$2,535,000	Equity	Investors
Department Stores	\$500,000	Donation	Department Stores
Non Profit Partner			
Renaissance Inc.	\$800,000	Donation	Local Businesses

Cost Overrun Funding

Housing Authority	\$2,719,000	Loan	City Budget
Housing Authority	\$481,000	Grant	City Budget
5 Bank Consortium	\$900,000	Loan	Increase
Enterprise Corp.	\$650,000	Equity	Internal Funds
Total Funds	\$29,731,200		

PROJECT DESCRIPTION

The site of the Marketplace extended along a three-block section of 6th street from Grace Street north to Clay Street. {Figure 2} The Marketplace linked several important downtown landmarks: the Virginia Center for the Performing Arts, Thalhimers and Miller & Rhoads department stores, the 210,000 square foot Project One office building, the 403 room Marriott Hotel, the rehabilitated Light Infantry Blues Armory, and the 11,000 seat Richmond Coliseum. {50} The area adjacent to the Armory contained a festival park for outdoor concerts, art shows, and other cultural events. The Richmond Convention and Exhibition Centre was located just one block west.

The marketplace itself had a gross building area of 120,000 square feet and 66,919 square feet of leasable area. It was composed of three sections, each with a specific commercial theme. {Figure 3}The southernmost block at Grace and Broad Streets provided access to the two department stores through a palm-lined, two-level court. This section contained 30,559 square feet of leasable space. Most of this was carved out of space donated by the department stores. It featured a major restaurant and specialty retail shops. The Palm Court shops were fashion-oriented and featured women's apparel,

AN OVERVIEW OF CITY SQUARE

The Shops At City Square

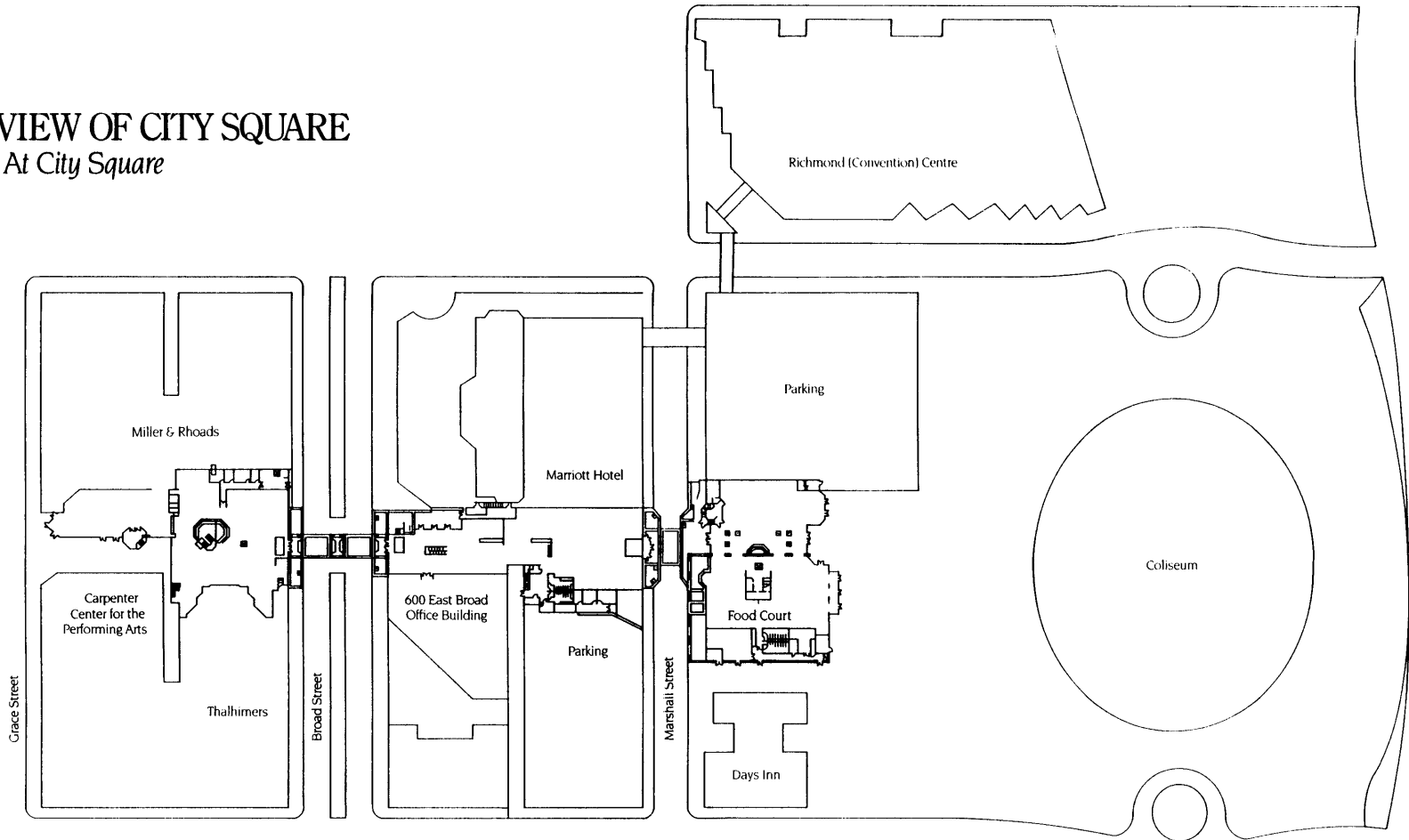
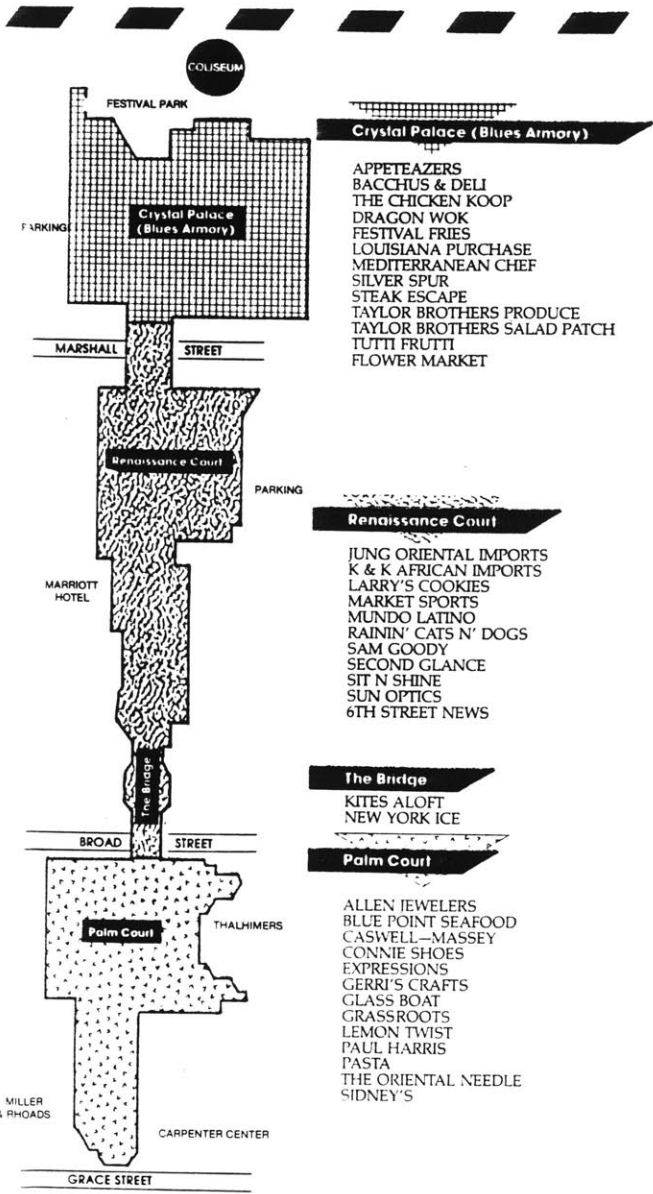
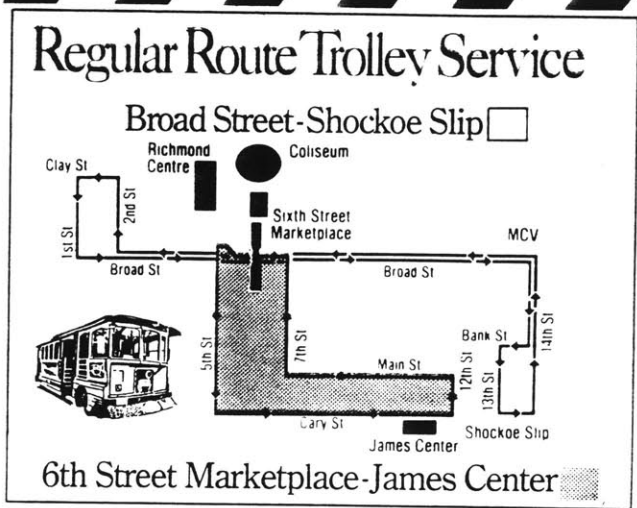


Figure #2



IMPORTANT NUMBERS

6th Street Marketplace Information	648-6600
Arts Council	643-4993
Carpenter Center Box Office	782-3900
Coliseum Coming Events Hotline	780-4956
Coliseum Box Office	780-3777
Downtown Presents...	643-2826
Richmond Centre Information	783-7300



DATES WORTH REMEMBERING

(and a few that should be forgotten)

MAY

May 1-31	Physical Fitness and Sports Month
May 1-31	Barbecue Month
May 5, 12, 19, 26	Friday Cheers / Festival Park—5-8:30 pm
May 5	Bobby Brown / Coliseum—7:30 pm
May 6	Champagne Pops / Carpenter Center—8:00 pm
May 7	Stu Gardner Orchestra Carpenter Center—8pm
May 7-10	Eastern Star Convention
May 9	Richmond Symphony Featuring Itzhak Periman / Carpenter Center—8 pm
May 11	Tour de Trump / Shockoe Slip—TBA
May 12	Red Man Country Tour / Coliseum—8:00 pm
May 13 & 15	Richmond Symphony / Carpenter Center—8 pm
May 14	MOTHER'S DAY
May 16	My One and Only / Carpenter Center—8 pm
May 17	Virginia Lottery Media Event / Food Court—12:30 pm
May 19 & 20	VCU Commencement / Coliseum
May 19 & 20	Resolutions / Carpenter Center—8:00 pm
May 20	VCU School of Business Graduation / Carpenter Center—11 am -3 pm
May 21	National Wrestling Alliance / Coliseum— call for details
May 22	Virginia Lottery Kick-off / Festival Park—Noon
May 29	MEMORIAL DAY OBSERVED

JUNE

June 1-30	Adopt a Cat Month
June 1-30	American Rivers Month
June 2, 9, 16, 23, 30	Friday Cheers / Festival Park—5 pm-8:30 pm
June 9-11	June Jubilee / In & Around 6th Street— call Arts Council for details
June 11	Richmond Public School Baccalaureate / Coliseum—TBA
June 12	Leonard vs. Hearn (closed circuit) / Coliseum—9:00 pm
June 14	Flag Day
June 18	FATHER'S DAY
June 23	Cheers and More Cheers / Festival Park—9:00 pm

Figure #3

jewelry, women's shoes, and crafts selected to complement the department stores.

The centerpiece of the design was a glass-enclosed bridge linking the south and north sides of Broad Street. At its center were two 10 foot wide stained glass windows displaying the project's insignia. The bridge could be accessed from the second level of Palm Court. It stretched 125 feet across Broad and was connected by an escalator to the middle block known as Renaissance Court.

Renaissance Court contained 12,041 square feet nestled within a narrow pass between the Marriott and the Project One office building. This section housed both stores found in a neighborhood shopping center and stores that focused on a specific theme. You could find a newspaper stand, record store, and an athletic shoe store along with shops selling only sunglasses or greeting cards that display only cats and dogs.

The project's northernmost block consisted of a five-story steel and glass atrium called the Crystal Palace. The atrium was affixed on one side to the historic Blues Armory. This section contained space for two major restaurants, a produce market, and the project's food court. The placement of 23,227 square feet of food services in the this section of the market was designed to provide a strong counterpull to the anchor department stores. It also allowed

the food court to remain open for evening entertainment without creating security problems for the department stores and specialty shops. {51}

Leasing Effort

Leasing for the project officially started in September of 1984. Almost 1,000 people came to the newly opened Marriott Hotel to receive a promotional pitch from the developer. Nancy Jones, EDC's Leasing Director, noted that this was three times the normal turnout for such an event. {52} Ms. Jones and staff from Richmond Renaissance attended many meetings to introduce the project to prospective local entrepreneurs and the broader community. Regional merchants were recruited from the Virginia Beach-Tidewater area, Roanoke, Charlotte, Charlottesville, and the Washington-Baltimore area. Such national merchants as Benetton's, Pappagallo's, Paul Harris, Connie Shoes, Caswell-Massey, and Sam Goody were attracted to the market. All of the regional merchants were new to the Richmond area, and of the national franchises, only Connies and Sam Goody were located in other regional malls at the time. {53}

The original leasing plan envisioned three full-service restaurants, an ice cream parlor, 41 retail shops, 18 kiosks, 10 food shops, 17 specialty food stalls, and 10 pushcarts. {54} Rents and lease terms varied depending on the type of

merchant. A small shop might rent for \$10-\$12 per square foot while a pushcart dealer might pay \$200 for his space. A pushcart lease might run for one week while a restaurant lease would run for ten years. Additional rent charges to cover common area maintenance, insurance, utilities, and taxes were expected to range from \$20-\$22 per square foot. {55}

MINORITY PARTICIPATION

In the atmosphere of suspicion that persisted after Mayor Marsh's election, it was very important that the marketplace not be seen as an all white enterprise - that it truly serve as a bridge between the black and white communities. To achieve this objective, Rouse and City Manager Manuel Deese negotiated an aggressive affirmative action program. The "Deese-Rouse" plan required that minorities would constitute no less than 30% of the construction workforce, and at least 10% of the center's operations staff. Also, at least 15% of the marketplace tenants would be minority owned businesses. {56}

The city and developer recognized that a festival market would present local merchants with unfamiliar management decisions. Moreover, minority businesses had the added burden of limited access to quality legal, accounting, and financial advice. Therefore, the city, business, and academic community combined to develop a 9-month training program. Prospective minority tenants attended evening courses in management,

marketing and tax strategies sponsored by Virginia Union University and the Richmond Business School. The consortium of five banks that financed the marketplace established a special small business loan pool of \$1.25 million. Eight major accounting firms and six law firms provided technical assistance to participating merchants for up to a year. {57} As a result, 21 of the 63 tenants present on opening day were minority businesses. Two years later 18 of these firms were still operating. {58}

To insure minority participation in the project's construction, minority business requirements were included in construction contracts. Meeting this goal sometimes required splitting contracts so that small minority subcontractors could bid on the job. As a result, 40% of the construction dollars went to minority firms. {59} To secure permanent jobs for minorities, the city established a "hiring hall" specifically for the use of marketplace tenants. Over 680 pre-screened applicants were referred to the merchants resulting in 282 placements. Minorities composed 80% of those hired. {60}

PERFORMANCE

The marketplace opened on September 18, 1985 with a celebration attended by thousands. On that day 53 retail stores, food shops and kiosks along with 16 pushcarts opened

for business. {61} It was hailed as the cornerstone of the Project One renewal plan. It would breathe new life into the Broad Street retail district. Mayor West noted that the idea of the Marketplace had flourished because of the growing harmony between blacks and whites. He noted that business investors were taking note of Richmond because the political scene was less racially tainted. {62} The "Bridge over Broad" was beginning to serve its symbolic purpose.

But, the honeymoon was short lived. During the first winter a faulty heating system made temperatures almost as cold as outdoors. Nancy Jones recalled that some days the temperature got down to 50 degrees. This did not help the leasing effort. Customers stayed away. After the first Christmas shopping season, the department stores that had agreed to keep the same hours as the marketplace returned to closing at 5:30 and 6:00pm. The evening traffic did not justify later hours. Temperature problems continued into the summer as the air conditioning periodically broke down. Merchants began to complain to the management and to their council representatives. {63}

Despite these problems, the market had a healthy first year. Occupancy had increased to 70 shops and restaurants or 84% of the gross leasable area. {64} None of the minority businesses had failed. The market had lost only one specialty store and a few kiosks and pushcarts - the fewest number of first year failures in any Rouse marketplace. {65}

On September 18, 1986 the marketplace held a birthday party, the inauguration of a four day celebration of its first anniversary. Mayor West was there to cut the cake. Rouse reported that the center had sales of \$240 per square foot. This was well under the \$312 per square foot Enterprise had estimated. However, he predicted that occupancy would reach 95% soon. {66}

By December the initial optimism was beginning to fade. In an effort to expedite the construction of 6th Street, Enterprise prepared their construction budget on conceptual plans that had not been thoroughly analyzed. As a result, unforeseen conditions increased the construction costs above the available funds. Operating costs for the first year were also much higher than expected. Real estate taxes were three times higher than projected. Insurance, lighting and heating costs were also major offenders. {67} In part these problems were also the result of expeditious construction decisions. However, government requirements that were not controlled by the developer also increased operating costs. Enterprise found that they were unable to pay operating expenses and debt service without increasing the common area maintenance fees and asking the city for additional financing.

Recognizing that the project was proceeding on a fast track, the city anticipated most of the construction overruns and included a \$1.5 million contingency fund in the

Development Agreement. {68} However, they were reluctant to cover operating and debt service expenses unless the developer assumed more of the financial risk. Negotiations resulted in a \$150,000 reduction in the development fee and a \$650,000 equity investment by Enterprise. The five bank consortium that provided the original loans increased their exposure by \$900,000. A portion of this amount went toward paying the project's first year debt service. With greater private investment in hand, the city council approved \$3.2 million in new financing. A \$481,000 grant was provided to cover operating deficits and a \$2.7 million loan paid for the construction overruns. {69}

Some merchants, however, had begun to lose faith in Enterprise. Private complaints were now being voiced in the press. Staff turnover also contributed to tenant anxieties. In the first year of the project the merchants had worked with two project managers and four marketing directors. {70} In February of 1987 the problems boiled over into the courtroom. Eight merchants filed a lawsuit. They claimed that the developer had deliberately made false representations to entice them to lease space and then failed to live up to these promises. Specifically, they alleged that Enterprise had promised 3.5 million potential customers a year, a vigorous marketing program, greater seating capacity in the food court and adequate heating and air conditioning. {71}

Most of the suits were settled out of court. Some

tenants left voluntarily, some renegotiated their lease terms, while others were evicted for failing to pay rent. The publicity surrounding the request for additional financing and the lawsuit began to sour the public's perception of the marketplace. These news articles broke whatever momentum the market had gained. By March of 1987 there were only 62 tenants, down from 71 just the year before. The marketplace had lost nine of the original major tenants. {72}

In July City Manager Robert Bobb sent a confidential memo to city council informing them that the marketplace needed additional and ongoing financial support. He reported that rent reductions, litigation expenses, vacancies and lower than expected patronage had created greater operating losses than had been projected in December. New projections prepared by Enterprise indicated a cumulative loss of \$5.9 million through 1991. {73} If the city chose to continue to support the market it was necessary to take greater control of the project. News accounts of this memo reported part of the text to read:

We are the developers because whenever there is a problem in terms of income and operating capital, it's the city's problem. We're the ones at risk; and because we're the ones at risk, we have to play a hands-on role in what's happening at the 6th Street Marketplace and work with Enterprise and other experts to make [the marketplace] a competitive center that can achieve the things it was set up to achieve. {74}

Bobb stated that the marketplace needed some adjusting away from "cutesy, trendy" items toward more serious retail shops. The merchant mix needed to be more competitive with suburban retail malls. It needed more upscale and nationally recognized stores. Although EDC had not been aware of the city's plans, they welcomed the dialogue. The city council set up a two man committee to help Bobb negotiate these financial and management changes. {75}

By the end of its second year, (Sept '87) the market was generating about \$221 per square foot and showed a net loss of \$1.1 million. Since its opening 16 merchants had left and 53 of a potential 75 shops were open. {76} However, EDC Project Manager Ted Cosmos stated that only six of the 16 who left were true business failures. The others were breaking even financially but either didn't want to wait out the rough times or had other reasons for leaving. {77}

The second anniversary of the Marketplace was heralded by a series of newspaper articles detailing the problems of 6th Street and other EDC markets in Flint and Toledo. In October, Mr. Rouse and several city boosters held a news conference to announce increased sales and new leases. Another objective however, was to encourage the media to report the positive progress the market was making. Rouse was joined by representatives from Richmond Renaissance, Downtown

Presents, Central Richmond Association, Miller & Rhoads, Thalhimers, and The Richmond Marriott. Conspicuously absent from the gathering was Mayor West. {78} The strain the press was placing on the project was evident. Rouse was quoted to say...

"We hope the media can see this as a place that deserves whole attention. Stories of success are at least as important as the other stories. It is very damaging when a stream of negative reports come out about a project like the Marketplace."
{79}

By February of 1988 it became clear that negotiations between the city and Enterprise were not resolving differences over management and financial problems. Sales for the calender year of 1987 were down to \$208 per square foot. Only 47 tenants remained, occupying about 78% of the leasable space. {80} Having spent almost \$2 million on operating deficits, Enterprise was unwilling to continue to cover this expense. The city on the other hand was already feeling budget pressures from police and other employees and was reluctant to provide more money without a significant change in direction. Therefore, at the city's request Enterprise agreed to pull out. {81} In the severance agreement the city agreed to pay Enterprise \$750,000 to partially recoup their losses. EDC agreed to continue managing the project until a successor could be found. {82}

In July of 1988 the city hired Goodman Segar Hogan Inc. of Norfolk, Va. as the new manager. To maintain the tax status of the limited partners, Enterprise was replaced as

general partner by Festival Diogenes. FDC then master leased the project to the Housing Authority. The Housing Authority hired the new management. Goodman Segar Hogan did not take on any ownership responsibilities, so outstanding expenses had to be covered by the city. {83}

In addition, funds had to be found for tenant improvements needed to reposition the facility as a destination shopping center. To meet these expenses the '88-'89 city budget allocated \$4 million to be administered by the Housing Authority. Over \$2.5 million of that amount was designated for operating deficits. The same amount was allocated in the '89-'90 budget. Projections of future deficits suggest that \$2.5 to \$3 million will be needed from the city through 1993. {84} Deputy City Manager Berry did not anticipate breaking even anytime soon and expected the city's commitment to be ongoing. "We have to think of this project as a piece of city infrastructure, like a bridge or park." {85}

By the summer of 1989 the marketplace occupancy was down to 37 tenants, only 23 of that were among the original tenants. {86} Goodman Segar Hogan had made progress in correcting the heating and air conditioning system that continued to operate at only 80% efficiency. They had also fixed a leaking roof in the food court. They conducted a customer survey to determine who was shopping at the center, and refocused their advertising campaign to emphasize the

project's convenience to the downtown office population. Uniform operating hours were established to improve the customer's perception of the combined department store and marketplace site as a retail destination. Although far from breaking even, they reported that their efforts had increased total income from the center by 20% over '88-'89 projections. {87}

Goodman Segar Hogan was also preparing to launch a new promotional and leasing effort. The center's name would be changed to The Shops at City Square and the marketing would focus on improvements to the entire Project One area. Streetscape improvements such as brick sidewalks, special light fixtures, banners, and benches were scheduled to be completed by the Fall. Building renovation plans were under consideration that would increase the leasable area by 40,000 square feet by carving out more square footage from the department stores and the Project One office building. The new leasing plan would focus on regional and national retailers that would establish the center as a shopping destination. {88}

PART III
WHAT WENT WRONG

No single mistake caused the poor performance of the 6th Street Marketplace. At the time it was planned festival markets were highly experimental. A combination of elements seemed to be working in Boston and Baltimore, but nobody knew the necessary or sufficient causes of their success. In an interview with Neal Peirce, Rouse offered this explanation of the poor performance of small city marketplaces...

All of these centers had initial success, were enormously celebrated and created a whole new spirit and potential. What went wrong is that the metropolitan areas weren't big enough and the attractions of the center city were not sufficient [to support them]. {89}

The Richmond experience exemplifies the need for a large trade area and for sufficient complementary attractions. However, it also shows that mistakes made by both the city and the developer in pursuit of a "noble idea" compounded these problems.

INHERENT PROBLEMS

Festival markets appeal to a very narrow customer market, primarily upper-middle-income, impulse shoppers. A large portion of these have to be imported. Once attracted to the facility, visitors must find sufficient activities to hold their attention. The aggregate population needed to support

such a market, its dependence on tourists, and the scale of facility required were unknown at the time 6th Street Marketplace was planned.

Even as he blazed the trail into smaller cities, Rouse knew there would be a threshold below which the market could not be supported. With anticipated per person expenditures averaging only \$4.00 to \$6.00, a large regional population base was essential. At the time the 6th Street Marketplace was being planned, the smallest metropolitan area Rouse had ventured into was Norfolk with an SMSA population of 1.2 million. The Richmond SMSA was home to about 735,000 residents. {90} This level of market support proved to be inadequate. Mr. Levine now counsels cities that a regional population of 1 million residents is the lowest threshold. {91}

As the festival markets were downsized to what was a proportionate scale for smaller cities, revenues were not sufficient to cover expenses. The synergy of events was not enough to attract and hold adequate crowds. Mr. Levine explained how the problems of area population and building size were related.

When you talk about attractions the amount of money spent is a function of the time you spend there. In this sense the marketplace is more like theme parks or other entertainment centers. People spend money at an entertainment center at a rate of about \$2.50 an hour. So you have to have

enough stuff there to keep people's attention for enough time to spend about \$5.00 per visit. We had a meeting at Enterprise to discuss this around the time that they opened Portside which was about 60,000 square feet. We determined that 80,000 square feet was the smallest you could go. It takes two hours to go through an 80,000 square foot center and that was what we needed to make it work.

Given the capture rates we'd seen for the share of sales attributable to local residents, it would take a million residents to have dollar expenditures sufficient to support half of an 80,000 square foot center. The other half would come from tourists. {92}

Tourism was the second largest industry in Virginia generating over \$3 million in travel expenditures per year. {93} City officials hoped the marketplace would help to increase their share of the tourist market. However, Richmond faced a chicken-or-egg dilemma. Would a festival market increase the tourism base or be forced to survive within the constraints of the existing tourist base? Although Richmond was blessed with several points of interest, no vacation resort or single attraction of national significance existed. Norfolk, on the other hand, attracted visitors from the vacation homes of nearby Virginia Beach.

The Richmond experience indicates the need for a pre-existing tourist base. For example in 1986, when Waterside and 6th Street were both operating, total travel expenditures for Richmond were \$114.6 million while in Norfolk the amount was \$206.4 million. In Virginia Beach 1986 tourist expenditures were \$431.8 million. Although tourist expenditures for Richmond increased at a greater rate than Norfolk or Virginia Beach between 1985 and 1987, the total

volume was not enough to support the marketplace. {94} Only 4% of the patrons at 6th Street in 1988 were tourists. {95} An important target market never arrived.

Comparison of Tourist Expenditures

\$ Thousands	1985	1986	1987
Richmond	88,077	120,898	152,828
Norfolk	207,308	230,270	246,954
Virginia Beach	404,817	433,523	459,082

Nor did Richmond have the broad customer base to make up for the low tourist traffic. A 1988 Goodman Segar Hogan customer survey found that, in addition to tourists, 43% of the patrons were downtown office employees, 42% were residents living within a four mile radius of the site and 11% were suburbanites. {96} This was an unusually narrow customer base. As a result, the tenant mix that had worked so well in Baltimore and Boston was not suited for Richmond. Once the office employees went home the marketplace was virtually empty.

AN EXPENSIVE, INEFFICIENT, AND INFLEXIBLE BUILDING

The construction of a bridge over Broad Street was a noble gesture. It held great political and social meaning for the citizens of Richmond. However, the result of this gesture was an inefficient, and inflexible building unable to adjust its tenant mix to meet the needs of its customers.

Rouse sought to build each festival marketplace with equivalent design and construction standards. However, 6th Street presented special problems. In their desire to get this project underway as quickly as possible, Renaissance and EDC ran into some unforeseen problems that may have been avoided with a more thorough examination of the plans and existing conditions.

Leonard Richards, EDC's development director, recalled that construction of the project was a complex task. Not only did they have to bridge a major thoroughfare at a safe elevation, but they also had to tie into existing buildings. Moreover, the Miller Rhoads store was composed of three different buildings each at different elevations. To resolve this Enterprise had to raise floors within the department store. Soil conditions along the street bed required additional foundation columns. The age of the department store buildings required costly manual demolition to protect their structural integrity when bearing walls were removed to construct Palm Court. The heating and ventilation system in Miller Rhoads was so antiquated that air pressure between the buildings could not achieve equilibrium. This caused the

heat to be sucked out of the marketplace. In order to meet the rehab standards of the National Historic Trust, the roof of the Crystal Palace had to be constructed in glass instead of a more energy efficient metal system. {97} These conditions resulted in a very expensive project. The 6th Street Marketplace cost twice as much as Norfolk's Waterside - a building of comparable size. {98}

	Waterside	6th Street
Gross Bldg Area	130,000	120,000
Costruction Cost	\$8,300,000	\$18,100,000
Per Square Foot	\$63.85	\$150.83

Higher development costs meant that the marketplace had to generate higher rental income. However, the ability to achieve a profitable rent was limited by an inefficient building.

Festival retailing requires large common areas to create a visually entertaining setting and serve the volume of patrons. Therefore, they are less efficient than traditional shopping centers. The gross leasable area (GLA) of an enclosed shopping mall normally equals 84 to 89 percent of the gross building area. {99} The ratio of GLA to gross building area at Waterside in Norfolk is 61%. {100} The average ratio for festival markets is 65%. {101} With 120,000 square feet of gross building area and only 67,000 square feet

of GLA, 6th Street's efficiency ratio was just 55%.

Since unleased space could not generate revenue, the marketplace had to generate high rents to break even. A budget analysis prepared by Goodman Segar Hogan projected 1988-89 operating expenses (without debt service) to be \$3.3 million or approximately \$49 per leasable square foot. {102} The average rents ranged between \$30 and \$35 per square foot. {103} Even if the market were fully leased, and all the tenants were paying reasonable rents, this marketplace could not produce sufficient revenues to cover expenses.

Project Architect Michael Garz felt that highlighting the total building efficiency told only part of the story. An additional problem was fitting retail businesses within the narrow space provided. In siting the marketplace between existing buildings, shops were squeezed into spaces with depths of 25 feet or less. {104} The average depth of stores in a regional mall is 100 to 110 feet. {105} Shops of small tenants in neighborhood centers are generally 60 to 100 feet deep. {106} The narrow spaces provided at 6th Street were best suited for small specialty retailers or food vendors.

The contribution of space by the department stores allowed Palm Court to offer more traditional depths. However, the load bearing beams and floors within the department stores restricted the size of available shops. The compact spaces made available by the market's elongated configuration averaged

around 1,200 square feet for specialty shops and 450 square feet for food vendors. This was typical of the spaces provided at Faneuil Hall and Harborplace. {107} However, those facilities served a substantial tourist base. Efforts to adjust the tenant mix to include destination retailers for the dominant office patronage at 6th Street were hampered by the market's narrow and inflexible configuration. Mr. Richards recalled that national chains such as The Limited desired 4,000 to 5,000 square feet of useable space. Only one retail space in the entire market was that size, and it was taken by another national chain, Paul Harris. Richards further recalled that EDC had recruited Walden Books only to find that the ceiling heights were too low to accommodate them. {108}

The configuration of the marketplace also affected the operating costs. The need to retain pedestrian access through the marketplace from the Performing Arts Center to the Marriott Hotel and Coliseum essentially made the hallway a public street. While the stores were open from 10:00am to 6:00pm, the hallway opened at 7:00am and remained open until the restaurants closed. This could be until 11:00pm on weekdays or 1:00am on weekends. These extended hours required the presence of security staff and kept the heating and lighting systems operating even when the stores were closed. Kim Hamel, Goodman Seagar Hogan's Director of Retail Management, stated that these components of the operating costs were equal to that of a one million square foot mall.

{109} Mr. Barron stated that EDC had tried to get the city to assume the "public cost" of the marketplace, those costs attributable to keeping the public walkway open. {110} However, the city did not share their perspective on sharing these expenses. Tenant rents had to absorb the costs of this public benefit even if they could not financially benefit from evening visitors.

MISUNDERSTOOD TOOL

In supporting the development of 6th Street the city had several objectives. They sought to retain the department stores and reestablish the Broad and Grace Street retail district as a fully competitive, quality shopping area. They desired to upgrade the stores along Broad Street and enhance Grace Street's position as a center for specialty shopping. They also wished to maintain and enhance downtown's position as an eating, drinking, and entertainment area. {111} At first glance, the marketplace supported this strategy. However, the project was actually being viewed from different perspectives. The city was expecting a new shopping destination while the developer was building an attraction.

Given the desire to reestablish Broad and Grace Streets as a quality shopping area, the idea of using the existing department stores as anchors for additional retail destinations was an appropriate strategy. It built upon the

existing shopping generators and followed the time tested model of suburban shopping centers. However, Enterprise was not constructing a shopping center. They were creating an attraction. The stores within were meant to be "enjoyable places" rather than retail destinations. Although Palm Court provided specialty shops to complement the department stores, the addition of kiosks and pushcart vendors selling "frivolous merchandise" confused the image of 6th Street. Serious shoppers found the goods to be too trendy or too expensive for the quality offered.

The merchants shared the city's misunderstanding of the nature of a festival marketplace. One merchant who sold leather briefcases commented that it was hard to carry on serious business when the marketplace became too festive. People came into the store, but they didn't buy anything. {112} Such customer behavior was commonplace in a festival market, but not in a regional mall.

The differing perceptions held by the merchants and the developer were expressed in disputes over the focus of advertising and promotions. Since the marketplace was an attraction and not a retail destination, Enterprise placed great emphasis on marketing the festive setting. This approach, depended on downtown promotions and special events to reinforce this festive atmosphere. Mr. Barron complained that Richmond's downtown promotions office was underfunded, forcing Enterprise to dilute their advertising budget to

support special events. The merchants, on the other hand, complained that Enterprise concentrated on special events and spent too little on advertising. {113}

Each perspective was appropriate for the type of facility envisioned. To Enterprise, an attraction needed to be promoted as a pleasant place to visit, eat and shop. To the merchants, a shopping center needed to advertise the goods and prices of the retail destinations within. These divergent views contributed to strained relations and the inability to agree on a common marketing strategy. The marketing approach employed by Goodman Segar Hogan placed a greater emphasis on increasing consumer awareness of the center's retail destinations and was more in keeping with the merchants' expectations. {114}

PSYCHOLOGICAL AND ECONOMIC BARRIERS

Just as the tenant mix within the market confused the serious shopper, the character of the Broad and Grace Street retail district further thwarted efforts to attract intown and suburban customers. The downtown retail district catered to two consumer markets. The stores along Grace Street provided medium to higher priced men's and women's apparel in popular stores such as Ardley, Berry Burk and Whitney's. These were located across from Miller & Rhoads between 6th and 5th Streets. The stores along Broad Street offered a mix of

discount apparel and shoe stores, fast food restaurants, drug stores, and dry cleaning and hair care services. Though the department stores offered medium to higher priced products, the discount character that extended from 2nd to 8th Street truly set the tone for the district. Middle to upper income comparison shoppers were unlikely to find the goods they sought either in the marketplace or on Broad Street.

Moreover, despite efforts to bridge the black and white communities, the affects of racial segregation were still evident. Broad Street had essentially become the black regional shopping district for nearby Jackson Ward. {Figure 4} This presented a psychological barrier to both shoppers and merchants. Nancy Jones recalled that some local white merchants would not lease in 6th Street because of its location. The city's emphasis on recruiting minority businesses also gave the impression of this being a black shopping center. {115} The marketplace could not overcome this discount store setting or the psychological barriers presented by this site.

The city's efforts could not change the habits of suburban shoppers. Their tastes were better served by existing regional centers. Nor would existing stores upgrade their merchandise for customers that were not coming downtown. Ms. Jones noted that it was harder to lease 6th Street after it had opened. Some retailers felt that little had changed. {116} The magnitude of change generated by the marketplace

was simply not enough to make a difference.

AMENITY DEFICIENT SITE

By insisting on a site that would reinforce the historical retail district, Rouse allowed his civic interest to permit him to overlook a crucial element of festival retailing. The marketplace must be located where people are coming or want to come just for the sake of being there. If people are coming to a place for the ambiance of the area the experience must be something that outlives the novelty. The need for a high amenity location was ignored.

The area most compatible with this desired character was Grace Street. The two-lane, one-way street supported a lighter traffic volume than Broad. Its benches and mature shade trees offered a pleasant, human-scale, pedestrian path to the department stores and specialty apparel shops. However, the market's interface with Grace was minimal. Direct access to the market could only be achieved by walking around to a side entrance.

The project's front door, Broad Street, presented a more utilitarian demeanor. On the south side, the forboding black steel facade of the Thalheimer building was softened by the display windows at ground level. The more traditional facade of Miller & Rhoads was more pleasing but did nothing to

animate the street. On the north side, the Marriott Hotel pulled back from Broad, placing its entrance on 5th Street. A landscaped buffer along the pedestrian path blocked any view of the hotel lobby or dining area just beyond the hedges. No attempt was made to connect the hotel to the market. Although the Project One office building was physically connected to the market at ground level, the shared access was hardly noticeable.

Three vacant theaters were located on Broad between 7th and 8th. Mr. Berry stated that Historic Richmond Inc. planned to rehabilitate these structures, but no concrete proposals had emerged. {117} The remainder of this block was composed of fast food restaurants and discount stores.

Broad Street was a six-lane vehicular artery stretching from downtown to the western suburbs. The city landscaped the median strip and planted street trees to soften the impact of the heavy traffic. But the planting was too recent to provide shade to passengers waiting in the hot summer sun for the trolley or local bus. Streetscape improvements such as banners, benches, bus shelters, and shop directory kiosks that could have given the retail district a distinct identity were lacking. Mr. Barron stated that the marketplace was designed to create a "pleasant walk along a city street." However, unique architecture alone could not produce this effect. {118}

The primary public space was provided by Festival Park. The park features a life size statue of a Blue's Army infantryman. A small fountain, a pavilion and classic lighting fixtures each echoed the architectural theme of the marketplace. Concerts and special events were accommodated by a bandstand rented by Downtown Presents. However, the Festival Park was located in the rear of the project. With the marketplace stretched out over three blocks, even a well attended concert did not generate customers for the shops in Palm Court or Renaissance Court.

INADEQUATE ATTRACTION SUPPORT STRUCTURE

Festival markets are intended to augment other attractions nearby, to create a synergy of events and a complementary atmosphere for people to enjoy. They cannot stand alone. The closest attraction to the Richmond site was the Virginia Performing Arts Center. The Coliseum and the Convention Centre were services whose entertainment value depended on the event occurring inside. The two historical museums were four and five blocks away, as was the State Capital complex. The attraction support structure for the marketplace was not present.

Moreover, this support structure should have predated the marketplace. Successful projects in Baltimore and Norfolk were built at the sites of other festivals or citywide events.

The annual City Fair in Baltimore brought people to the waterfront some 10 years before Harborplace. In Norfolk the city had also begun to draw people back to their waterfront along the Elizabeth River. The arrival of the tall ships during the 1976 Bicentennial had turned into an annual event drawing a million people. {119} In Richmond the idea of coming to Broad Street for recreation had not been fostered since the street fairs of the 1920's. {120} An entire generation was not accustomed to identifying this location with recreation.

COMPETING DISTRICTS

As noted, Richmond's economic health was sound. The downtown office district and nearby Shockoe Slip had seen significant private development over a 15 to 20 year period. {121} By locating the market within the Broad and Grace Street retail district the city made a deliberate decision to bolster an area that was not attracting private development. This was an appropriate role for city government. However, market forces were creating a competing shopping and entertainment district in the Shockoe Slip area. The amenity package and easy access offered by this alternative location placed 6th Street at a disadvantage.

Shockoe Slip was the site of the city's first settlements. {Figure 4} Up until the early 20th century the

area was a very active warehouse and commercial district. After several decades of decline, the area began to attract a cluster of restaurants, night clubs and specialty shops. Its designation as a National Historic District in 1981 spurred further development. Offices and apartments began to mix with the warehouses still in operation. {122} By 1982 the district contained a dozen restaurants and half a dozen retail stores comprising 80,000 to 90,000 square feet of commercial space. {123} Cobblestone streets and brick sidewalks complemented the historic architecture. Plaques on several buildings provided a history of the tobacco and shipping industry which spawned the original development of the area. Such elements enhanced its potential as a tourist attraction. The proximity of the James River provided a natural amenity.

The office and financial district was located just west of Shockoe Slip. Between 1973 and 1982 the city added 3.3 million square feet of office space primarily within this area. {124} Proximity to the office district provided a ready customer base. In 1982, soon after the formation of Richmond Renaissance, Faison Associates and CSX Resources (the Chessie Railroad System) announced that they would build a 3 million square foot mixed-used project called James Center at the western edge of Shockoe Slip. {125} At the time that 6th Street was planned office and commercial development was clearly shifting south and west of the 6th Street area. The marketplace was moving against the tide.

59-A

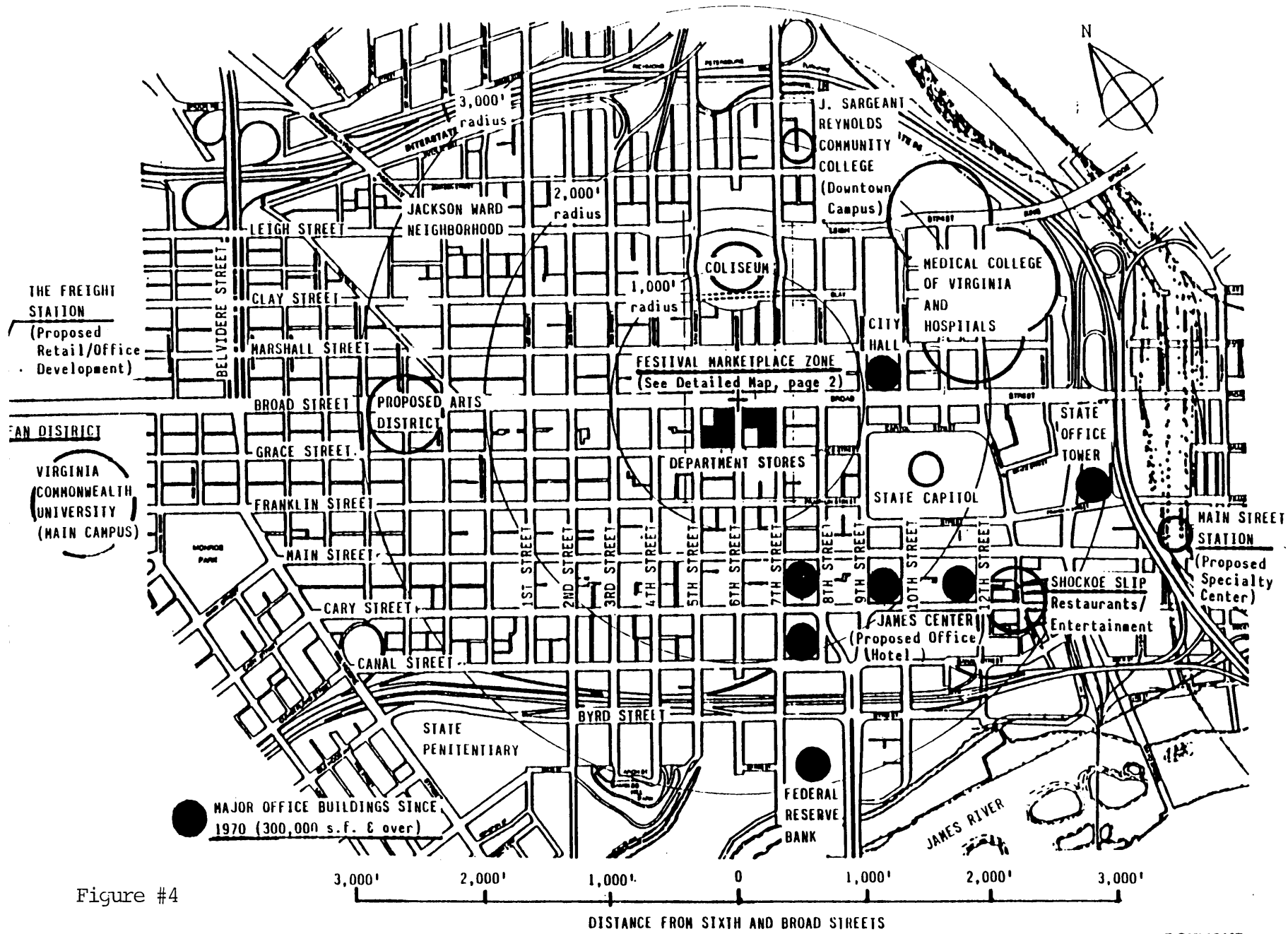


Figure #4

DOWNTOWN RICHMOND

Conventional wisdom would suggest that competition between these districts would be beneficial. The synergy of attractions would bring a greater volume of shoppers to the area. However, competition can also produce winners and losers. Synergy is partly a by-product of the proximity of attractions to one another and the ease of access between them. Shockoe Slip was six blocks from the 6th Street Marketplace and down a very steep hill. Office employees were reluctant to make this hike on a hot summer day. Linking these areas by trolley greatly offset this disadvantage. However, synergy also depends on the areas being equally desirable.

As noted earlier, there were economic and psychological barriers to visiting the Broad Street commercial district. Shockoe Slip offered a greater amenity package. Its historic setting and architecture along with its proximity to the river more readily attracted developers and retailers to this area. Mr. Richards recalled recruiting a regional men's apparel store to leased space at 6th Street who upon visiting the city chose instead to locate in Shockoe Slip. {126} To office workers Shockoe Slip offered ready access to similar goods and services to those being provided at 6th Street. Despite the city's efforts to tie these areas together, Shockoe Slip competed with 6th Street for food, entertainment and specialty store customers.

UNDERCAPITALIZED DEVELOPER

The entry of Enterprise into the festival marketplace arena brought about a significant change in the nature of the private/public partnerships that spawned the earlier projects. The Rouse Company had always sought city assistance in acquiring the land and writing down the cost in the form of a long term lease. They acted as owner and manager and used their substantial portfolio of projects to recruit retailers and financial support. Enterprise on the other hand, had only one million dollars in capital when it started and no track record to establish investor confidence. {127} They needed city assistance not only in land assemblage but also in obtaining financing. Enterprise offered cities their development and management expertise in return for a development fee and a share in the profits. The cities shared the profits but also shared the risks. Enterprise projects took on the character of a public institution. The roles of the city and the developer became blurred.

In Richmond, EDC's need to depend on the city's financial resources led city officials to assume a more direct role in the management of the marketplace. Mr. Barron noted how intensely political the situation became. If they were trying to press a delinquent tenant for back rent, they would get calls for city councilman pressuring them to back off. If a merchant was displeased with a particular promotional event, they would get calls from city hall. He had expected

a good deal of city involvement in the planning and construction of 6th Street, but he thought that management policies and practices would be left in EDC's domain. In his opinion "you can't run a mall from city hall." {128}

On the other hand, the city's prestige and money were at stake. The marketplace was a symbol of the city's ability to revitalize downtown. As the major initiative of a black administration, the failure of the marketplace would have detrimental political repercussions that could outweigh the economic loss. With each new request for additional funds the city saw a developer with little financial stake in the project squandering the public's investment. As the city's perceived political and financial risk increased, they could not sit back and watch. The extended duration of public financial involvement had recast the marketplace as a public institution. The participants did not recognize that they were working with a new model of public/private partnerships in which the public interest was dominant. The strains that developed between the developer and the city over tenant mix, marketing and management issues reflected problems in working out new roles in a new context that had not previously been defined.

Great Expectations

The 6th Street Marketplace was burdened by great expectations. When the city and the merchants became

disillusioned with Enterprise, it was almost impossible for the developer to change their opinions. The news media projected a negative image from which the marketplace could not rebound. What was festive about law suits and failing businesses? How could visitors expect a positive experience from complaining merchants? The marketplace could not attract new merchants or customers in such a negative environment. Robert Olsen, who succeeded Evans as Executive Director of Richmond Renaissance, observed this shift in attitudes.

Part of the problem was that it was over-hyped from the beginning. It would have been very difficult for 6th Street to live up to the frenzy of attention this thing got when it opened. The wonder and celebration of 6th Street Marketplace was a story for two years. Then there was nothing more to say. When the heating problems started, when the first tenant law suits were filed, when the chink in the armor was found, the press really jumped on it. Then the story became the problems.
{129}

By 1987 Enterprise clearly knew that 6th Street did not fit into their standard formula for festival retailing. {130} The decision to change to a specialty shopping center could well have been implemented by Enterprise. However the confidence in Enterprise had fallen to such depths that only a change in management could hope to rekindle a positive image for the marketplace.

Part IV
WAS THE MARKETPLACE BENEFICIAL

If success is defined as a project that earns a profit, has few vacancies, has a high level of shopping activity and has happy tenants, then the 6th Street Marketplace was certainly a failure. However, the city of Richmond received several tangible benefits from the marketplace.

The 6th Street Marketplace gave life and purpose to Richmond Renaissance. In a city that had been torn apart, the cooperation between the white business community and black political leaders established a much needed bond. In many ways the efforts of Richmond Renaissance offer a fine example of how private/public partnerships can implement downtown development. From the moment the idea of the marketplace was conceived Mr. Evans and his staff acted as the catalyst for the project. They produced the feasibility study, prepared and negotiated the UDAG application, negotiated the letters of intent, and through the auspices of their board obtained debt and equity financing. Their participation in the leasing efforts helped recruit local merchants and win broad community acceptance. The use of a quasi-public sponsor to expedite the development process demonstrated what could be achieved with cooperation between the business community and city government. The development of 6th Street set the stage for future collaboration.

There is no doubt that 6th Street strengthened the retail district. A derelict three block section of downtown was improved. The stores recruited to the marketplace were of a higher quality than found in most of the district. However, the development of the marketplace did not prevent some attrition. Whitney's, and Montaldo's, two higher priced apparel stores moved from Grace Street, and a few vacant storefronts appeared. {131} However, if the marketplace had not been built, the losses might have been greater.

Thanks to this project, the city was able to negotiate a commitment from both Thalhimers and Miller & Rhoads to continue operating at this location for ten years from the opening of 6th Street. {132} Moreover, the department stores undertook over \$4.2 million in renovations to bolster their commitment. {133} The marketplace spurred an additional \$13.5 million in private and public investment. The renovation of a 250-room Days Inn on 6th and Marshall (\$6.5 million), the construction of the new 800-space Renaissance parking garage (\$4.5 million) and the renovation of the 600-space garage by the Redevelopment & Housing Authority (\$2.5 million) were a direct result of the development of 6th Street. {134} In addition, the project has generated approximately \$775,000 in new property, income and employment taxes annually. {135}

The minority business training program and the screening of job applicants insured that an important social objective

was achieved. One third of the tenants present on opening day were graduates of this program. Half of the permanent employees hired were black. And half of the construction contracts went to minority firms. {136}

Robert Olsen, who succeeded Evans as Executive Director of Richmond Renaissance, felt that the benefits of the marketplace were not appreciated.

The 6th Street Marketplace is a smashing success for a bunch of reasons. It kept the department stores downtown. It helped the image of the city. It's a three block public street that connects a number of things that needed to be connected. It's a downtown meeting place. Many people, and I believe rightfully, question why this project must be coldly judged on its real estate economics when it's providing such great public benefits. In many respects it should be seen as a loss leader or a public amenity. {137}

This view was tempered however by the continuing drain the project has placed on the city's budget. The city allocated \$4 million in both 1988 and 1989 to make physical alterations to the project and to keep 6th Street operating. It is anticipated that \$2.5-\$3 million in annual appropriations will be needed for several years to come. Mr. Berry commented that it would be difficult to sustain this level of financial support.

The project is becoming less popular and more divisive in the community. People are tired of putting money into it. They want the money spent

in their neighborhoods. There's going to have to be a turn around. We can't keep putting \$4 million a year into this thing. We've got to get it to appear to be more of a success in the eyes of the citizens, or they're going to say turn the lights out. {138}

PART V

EXPERIENCE GAINED

The poor performance of the 6th Street Marketplace demonstrates the need for a large regional population base. If a festival market must be supported by only 30% of the people visiting the facility, a large indigenous base is a reasonable requirement. However a rigid reliance on numbers alone could lead to the same proportionate scaling of a project that led to the failure of 6th Street. Even a one million population does not guarantee that you will have a large enough affluent population willing to purchase frivolous merchandise. Nor does this figure consider the accessibility of the site and the possible competition from other sites. An application of a gravity model of consumer choice would be a valuable test to confirm this assumption. However, the equally dismal performance of festival markets in Toledo and Flint suggests that some threshold has been crossed, and a rule-of-thumb of one million reflects the wisdom of that experience.

The critical mass of 80,000 square feet is again supported by the fact that no marketplace smaller than this

has been successful. I would suggest however, that plans for future markets consider the components of this theory. What level of per person expenditures are needed to support the marketplace and how long must the attractions offered hold these customers to reach that expenditure level. I would also consider whether the tenant mix offers a diversity of experiences to attract return visits.

Richmond also demonstrates the need for a pre-existing tourist base. The size of that base could not be determined from a single case study. A comparison of other markets may provide further understanding of the tourist expenditures needed to support festival markets. In the absence of a threshold figure, an examination of the tourist expenditures of each municipality and a field visit to the attractions available within the target market would be appropriate.

The Richmond experience provides an opportunity to further understand the nature of festival marketplaces. Even though the facility was nestled between two department stores, it retained a distinctly different character. The marketplace could not thrive in the same physical setting that supported the anchor stores; it could not generate adequate revenues from the same customer base, nor could its unique tenant mix of food and impulse goods expand the customer base of the retail district. Festival markets are not shopping centers. They are first and foremost attractions. They are more closely related to entertainment centers or amusement parks

than to regional malls. Their customers are attracted by the entertainment value of the setting as well as the novel merchandise within the market. An understanding of these differences will give city officials and developers a better understanding of how and where to use this redevelopment tool.

Before rushing off to build a festival marketplace, city planners should consider the nature of the problem they are trying to solve. In Richmond, a fashion-oriented specialty shopping center placed between the department stores and combined with extensive upgrading of the Broad Street corridor might have proved more compatible with their objectives. On the other hand, if their goal was to augment existing attractions and provide a greater diversity of recreational experiences downtown, the festival marketplace would be a more appropriate choice.

Planners should also make an assessment of the current retailing and entertainment situation. Are there existing districts that have an attractive setting and ambiance that people are already visiting? They should build on the existing base of attractions and consider what actions could be taken to enhance the enjoyment of these places. It may not be necessary to build an artificial setting to substitute for what is already occurring naturally. City officials in Richmond could have enhanced the commercial and entertainment value of Shockoe Slip by providing more parking, building a pedestrian link to the James River and coordinating joint

marketing for the existing shops. These steps would have been less expensive than 6th Street Marketplace and might have produced similar long term benefits.

The need for a high amenity location cannot be ignored. The site must offer a variety of attractions and pleasant experiences to attract visitors who simply want to enjoy the setting. This is clearly the life support system of a festival marketplace. Waterfront locations or historic districts do not guarantee success, but they may offer established pedestrian oriented settings not found in downtowns dominated by office and commercial buildings. The Richmond experience shows that, in isolation, an architecturally attractive building with limited pedestrian open space cannot create a festive mood.

Psychological barriers associated with certain downtown locations should also be identified. Surveys of the target population of potential customers could identify how people feel about shopping or visiting downtown and what changes would increase the frequency of their forays into downtown. The 6th Street experience also points out the need to protect the festive image of the marketplace over time. Like other attractions a negative reputation can adversely affect festival markets.

The selection of project sites and building configurations should be made on the basis of business goals.

Developers and city planners should not be so captured by a grand idea that they ignore the practical business needs of the marketplace. The revitalization of a depressed retail district and the symbolic linking of the black and white community were noble goals. But if achieving them places the economic viability of a project at risk, they should not drive the decision to build any commercial project.

Developers and planners must recognize that festival marketplaces are businesses where goods are sold. Therefore, the rules of retailing still apply. Festival markets have to adjust to the needs and desires of their customers. The building and shop configurations should be flexible enough to make these adjustments. Like all commercial real estate projects, unleased space cannot pay the development and operating costs. Buildings should be designed to capture as much leasable floor area as possible. High construction costs translate into high rents and often the cost of downtown projects exceed the rents that can be obtained. Negotiating favorable financing terms can ameliorate this problem, but it should not substitute for careful planning and efficient design.

The nature of the private/public partnership practiced by Enterprise suggests that there might be two models for developing a festival marketplace - one sponsored by the private sector and one developed by the public sector. The Rouse Company had sought public assistance to provide land

acquisition and site improvements for their urban projects. But they did not require ongoing public subsidies to operate these facilities. Since Enterprise did not have capital to invest in the development of the markets, they offered to act as development consultant and the managing general partner for a fee and a share in the profits. As the marketplace became more dependent on public funds, the city began to perceive the market as a public facility. When Enterprise left, the contract with Goodman Segar Hogan to manage but not own the marketplace reflected this changed relationship.

Since the cost of land assemblage and site preparation is often too expensive for downtown projects to bear, public financial assistance will continue to be an essential part of downtown development. If the need for public involvement is limited to predevelopment activities or to secondary financing, then it is appropriate for the private sector to retain ownership and have a free hand in operating the project. However, if the city's financial presence is needed on a continuing basis, the project will be perceived as a public facility. The operating budget, marketing and management policies would more naturally reside in government hands. If the expertise of a private developer is desired, one could be hired as a consultant or manager.

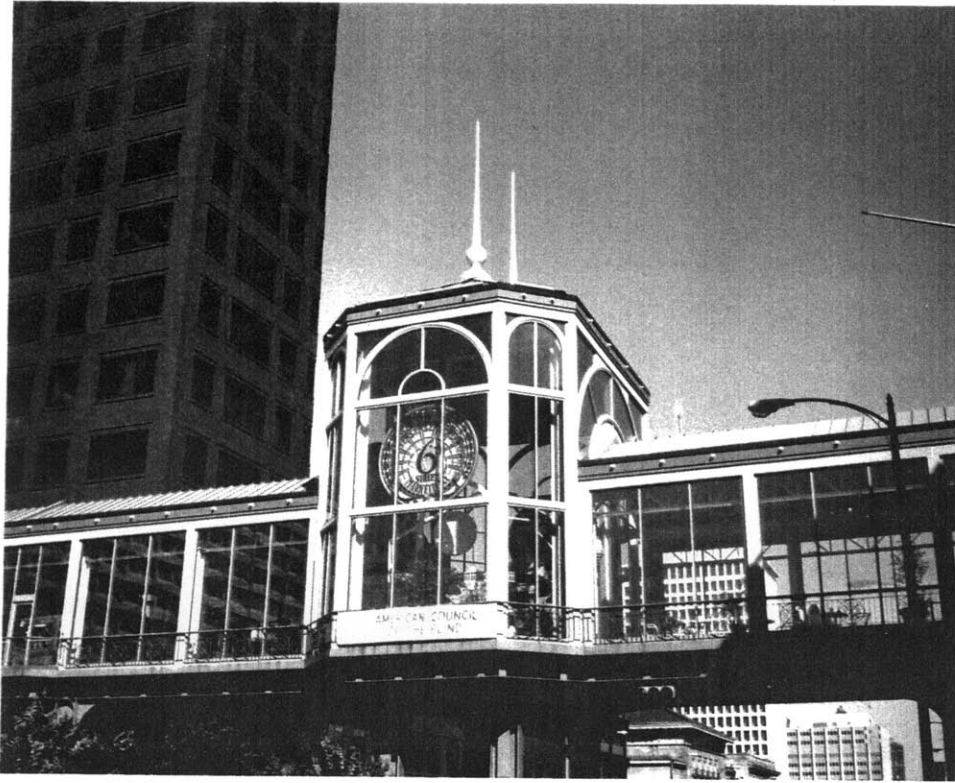
In the future some cities may choose to take on the role of developer from the start. A city could then choose to promote entertainment or shopping opportunities downtown even

if the population or tourist base were not adequate. They would be more capable of shouldering the long term financial burden than a private developer. The financial obligations could be estimated and committed up front and not enter the budget through the back door. This would not mean that cities would not seek out developers, but their roles would be clear from the start. As a developer the city could chose to foster social and political goals that may not be compatible with the private developer's profit motives and finite resources.

PART VI CONCLUSION

The study of 6th Street Marketplace offers a better understanding of the nature of a festival marketplace. It also provide insights into the possible roles the developer and city officials may play in public/private partnerships. While a list of do's and dont's can be derived from this experience, it would be a mistake to draw general conclusions. Each marketplace presents a different social, physical and economic context. An examination of the problems experienced in Richmond could flag potential problems that similar projects will confront in the future.

Appendix



6th Street Bridge with the project's insignia as the centerpiece.



Interior of Palm Court with central stage for special events and entertainment.



Interior
of the
Bridge
with an
Ice Cream
parlor as
its
central
occupant.



The narrow
pedestrian
hallway of
Renaissance
Plaza.



Crystal
Palace
attached
to the
rehabilitated
Blues
Armory.



The Food
Court
within the
Crystal
Palace.
Food
vendors
are
located
within the
Palace and
in the
Blues
Armory.



Festival
Park
during
"Friday
Night
Cheers"
party
produced
by
Downtown
Presents.



Grace
Street
facade of
the
market.
The
Performing
Arts
Center is
located on
the right.
The market
entrance
is between
these
buildings.



Grace Street shops - location of higher price men's and women's apparel stores.



The Broad Street corridor offered discount stores which set the tone for the district.

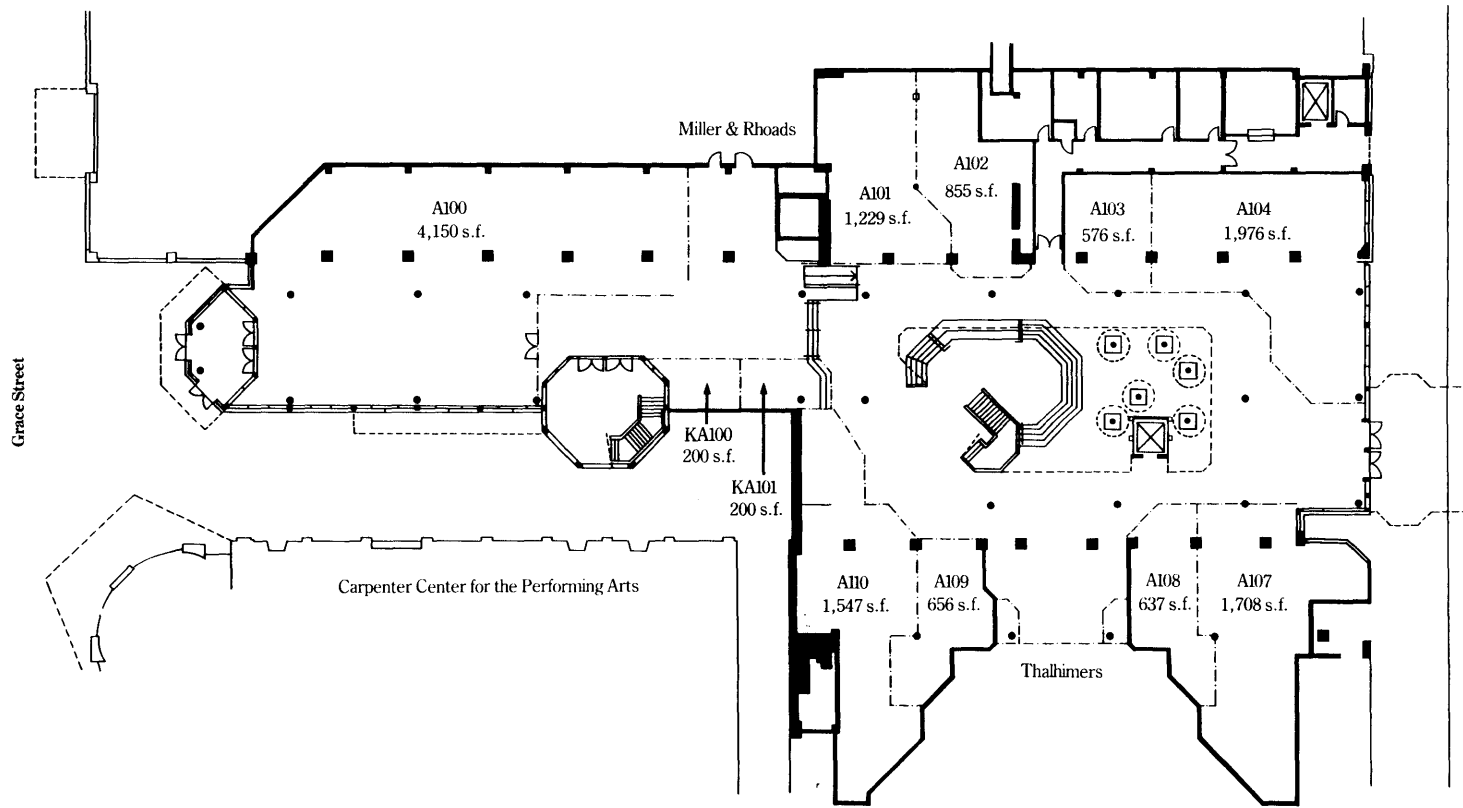


Three vacant theaters also set the tone for Broad Street. The Project One office building is in the background.



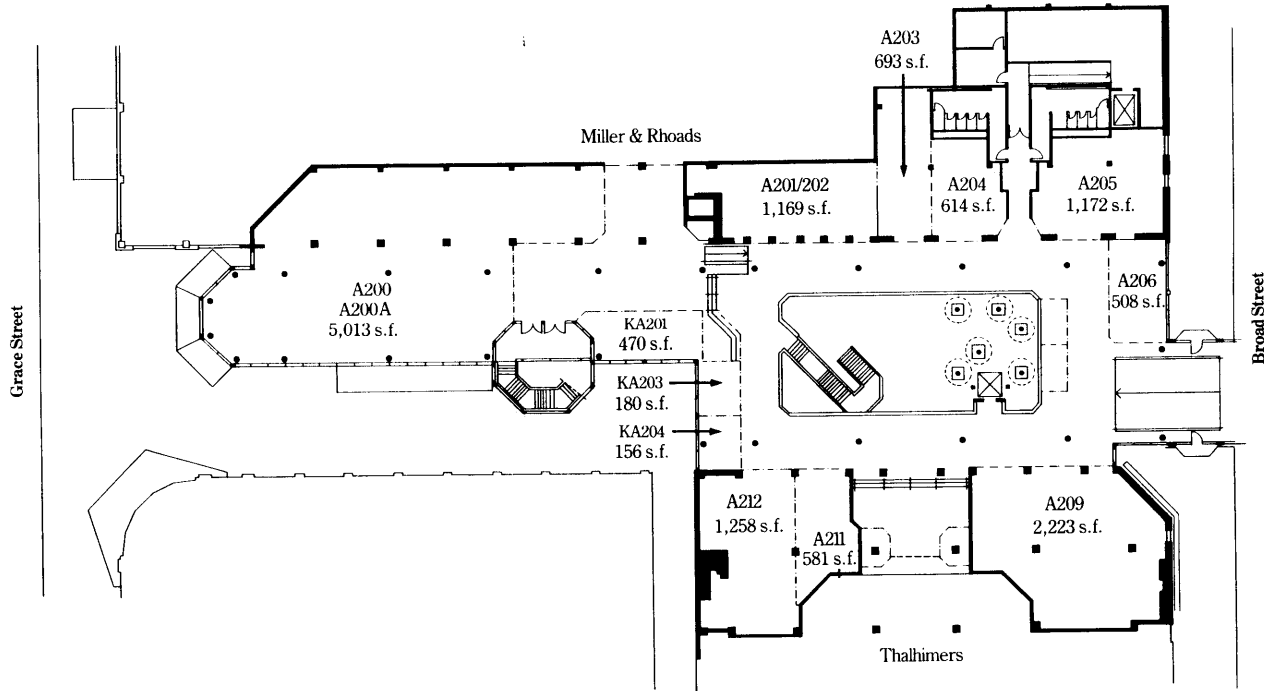
The trolley connected Shokhoe Slip and the office district with the marketplace. The side panel is advertising the food services at 6th Street.

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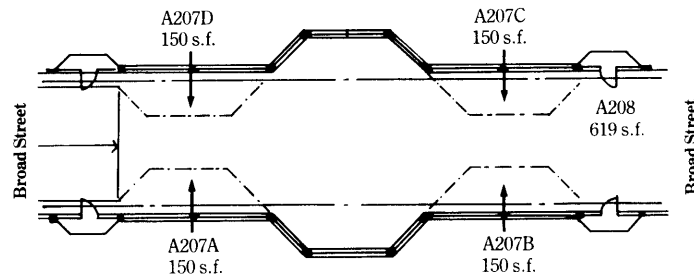
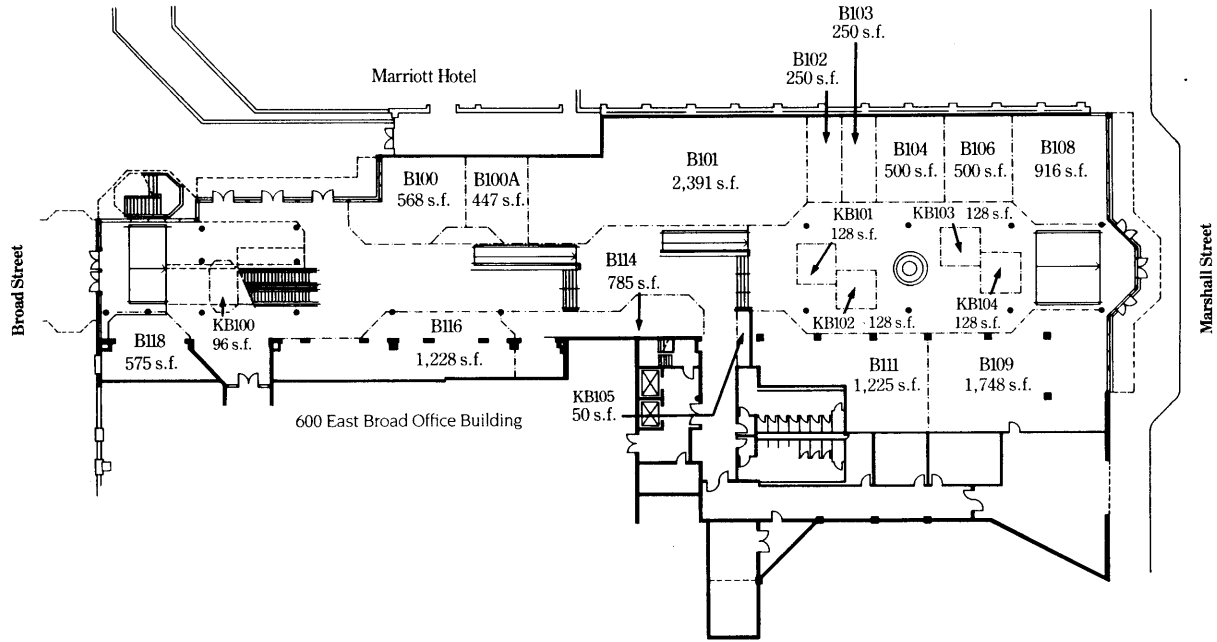
FIRST LEVEL PLAN — GRACE TO BROAD STREET

79-B



SECOND LEVEL PLAN — GRACE TO BROAD STREET

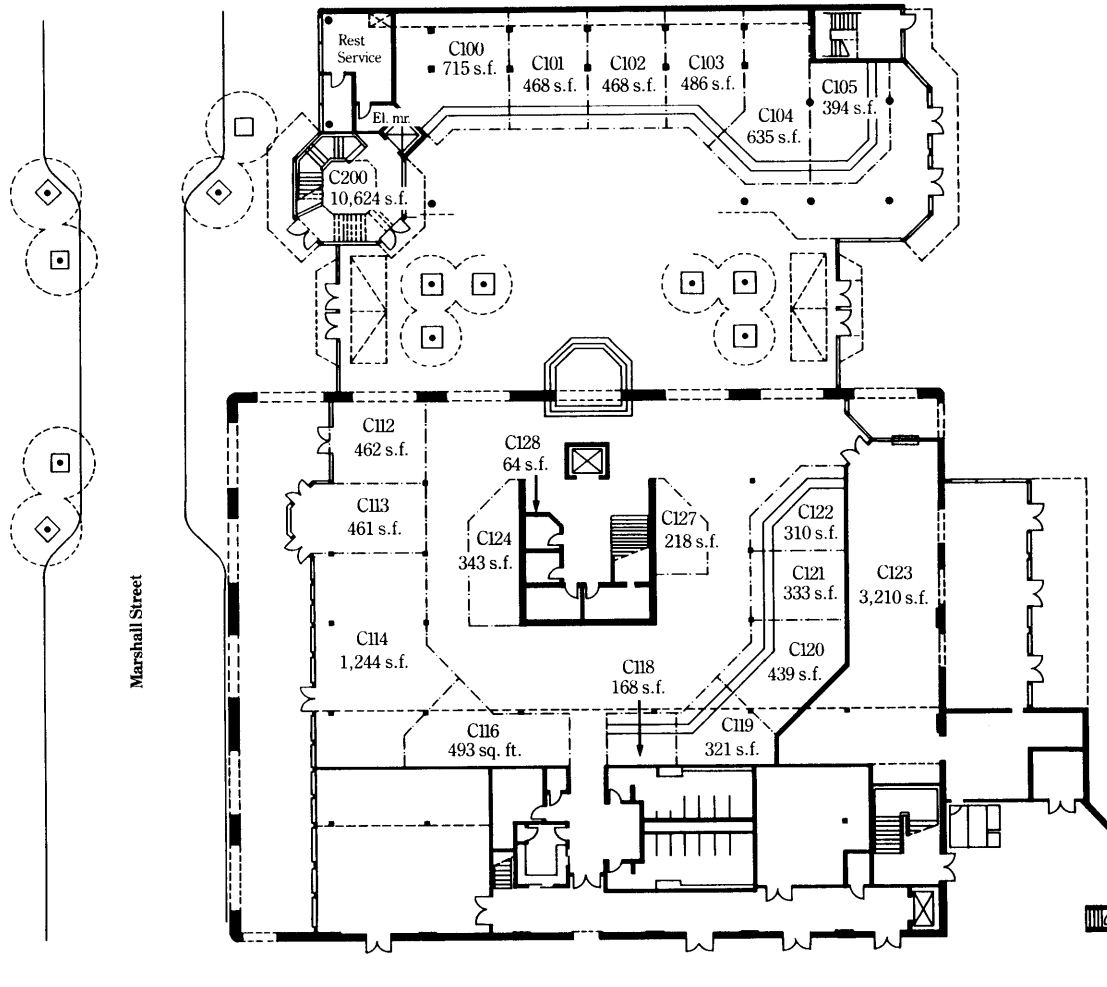
FLOOR PLAN — BROAD TO MARSHALL STREET



FLOOR PLAN — THE BRIDGE

FLOOR PLAN – BLUES ARMORY/FOOD PAVILION

79-D



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