Place Making in New Retail Developments: The role of local, independently owned businesses

by

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Abstract

This thesis sets out to examine whether incorporating local independent or small regional chain retailers and restaurants along with national chain stores in new large scale open-air retail developments can help add to a "sense of place" in these projects and thus make them more successful.

New retail developments of the past two decades, often called Lifestyle Centers, Urban Entertainment Centers, Town Centers or New Main Streets, attempt through design to create a "place." However, unlike traditional Main Streets or other locales that come to mind when thinking of distinctive "places" to shop, the tenants in these centers seem to be largely the same as those in regional malls—ubiquitous national chain stores. Due to this lack of local, unique content, these projects in many cases seem to be more a repackaging of the regional mall formula than truly successful attempts at place making.

However, despite several challenges to tenanting independent businesses, some owners of new, what I refer to as, Place Making Centers have nonetheless taken a more proactive role in varying their tenant mix so as to better differentiate and reflect the local character of these projects; consciously dedicating a substantial percentage of their retail space for smaller local or regional retailers. This suggests that for some developers and projects these obstacles can be overcome, and that there is some perceived added value, place making or otherwise, to incorporating these businesses.

In this thesis, I argue that place making, besides a physical act, also involves an intangible social and cognitive quality. I also assert that independent business can contribute to sense of place by contributing spaces more likely to promote social interaction and adapt over time and by providing a sense of uniqueness, rootedness and authenticity.

Furthermore, the characteristics that contribute to the likelihood and/or viability of incorporating independent businesses in a project fall into three categories—owner characteristics, project financing and economics, and market characteristics. In projects that successfully overcome these obstacles, independent businesses are shown to further place making's aim of overall and long-term value creation, suggesting that incorporation of these retailers should be strongly considered by developers of new retail formats.

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Chapter One: Introduction

Background

The past 20 years have witnessed a new trend in the retail development industry towards the creation of large, open-air retail projects, which often include more pedestrian friendly urban design, dining and entertainment venues, and a mix of uses. While these projects go by many different names—Lifestyle Centers, Urban Entertainment Centers, Town Centers / New Main Streets, and more—what typifies them all is their professed intent to create a "place."

Place making, as it is described by real estate industry professionals in publications and marketing materials, aims to create an environment with a unique character and identity that will encourage human social interaction and serve as the heart of a community; in many ways trying to fill the role that traditional Main Streets played in the past. By creating such a realm, developers seek to respond to evidence of new demand from all sides favoring these types of developments over conventional malls and strip centers, and also the perceived opportunity to construct projects that, by stimulating sustained customer popularity, create greater overall and long-term value for owners.

While many of these new projects (which are herein referred to as "Place Making" retail developments) seem to have incorporated elements important to engendering an atmosphere more conducive to a sense of place, such as human scaled design, locally contextual architecture, public gathering spaces, and better integration with surrounding neighborhoods, unlike traditional Main Streets or other locales that come to mind when thinking of distinctive "places" to shop, in many cases the tenants in these centers seem to be largely the same as those in regional malls—ubiquitous national chain stores such as Starbucks, Banana Republic, Pottery Barn and Barnes & Noble. Though these projects are undoubtedly a substantial physical improvement on the prevailing retail formats of the past half century, due to a lack of unique content, they in many cases seem to be more of a thinly disguised repackaging of the regional mall formula than truly successful attempts at place making.

There are some notable exceptions to this exclusively mega corporate tenanting of new retail projects, however. Some owners of new Place Making centers have taken a more proactive role in varying their tenant mix so as to better differentiate and reflect the local character of these projects. Developments such as Mashpee Commons in Mashpee, MA, University Village in Seattle, WA, Santana Row in San Jose, CA, and Southlake Town Square in Southlake, TX, have all consciously interspersed a proportion of more unique local or regional retailers and restaurants alongside their national chain stores. (For example, these have included service oriented retailers, mom-and-pop shops, unique boutiques, and local cafés and restaurants). This suggests that these project developers see some added value, place making or otherwise, to incorporating these locally owned or independent businesses.

In this thesis, I seek to ascertain, first, what are the important elements of place making and can independent retailers indeed contribute to a sense of place? I then go on to inquire, if indeed it can be shown that independent retailers can play a part in place making, then what is keeping many developers from tenanting these types of business? Furthermore, what characterizes those developers or projects that are overcoming these obstacles and diversifying their tenant mix, and what benefits did they perceive or reap by doing so?

Research Questions

This thesis first seeks to answer the question, what exactly are the key elements of place making? As can be gleaned from the agendas of various recent development conferences and newly published how-to publications, many in the real estate industry seem to be concluding that place making is largely achieved through design and programming—if you make your streets just the right width, design your benches just so, and add a movie theater and residential uses, you will instantly engender a sense of place. I argue however that evidence from sociology, psychology, geography and other research show that in fact place making, besides a physical act, also involves an intangible social and cognitive quality. I conclude from my analysis that developments most likely to engender this deeper sense of place are those that encourage diverse social interaction, and are adaptable, distinctive and representative.

Next, I proceed to enquire is there any evidence to suggest that independent businesses—locally owned companies that aren't franchises or part of a regional or national chain—or small regional chains can in fact contribute to a sense of place in some way? Citing sociological and urban planning writings I argue that indeed they can, both by contributing spaces more likely to promote social interaction and adapt over time and by providing a sense of uniqueness, rootedness and authenticity.

I go on to ask, if it is indeed true that developers of new retail projects are attempting to create a sense of place, and there are indications that incorporating non-chain retail can contribute to this sense, what is keeping many developers from tenanting smaller local or independently owned stores? In fact, many so called Place Making retail projects today are trending in the opposite direction, getting larger and more homogenized. My research uncovered that the primary obstacles to more diverse tenanting included developer and broker adherence to conventional practices; short-term bias in cash flow valuation methods which fail to account for long-term value creation; lender pre-leasing and credit tenant requirements; difficulty identifying and attracting appropriate independently owned businesses; inability of small retailers to afford rents in certain projects and higher likelihood of going out of business; and design constraints.

Finally, I set out to explore: what differentiates the developers and projects that do deliberately incorporate local and regional retailers and restaurants and what benefits were perceived or reaped by doing so? Despite the challenges outlined above, some developers have either proactively courted or set aside a specific percentage of their projects for non-national chain businesses, while others, despite touting the benefits of place making, have a more conventional tenant mix. An analysis of information collected from case studies and interviews discovered that the characteristics that contributed to the likelihood and or viability of incorporating independent businesses were owner flexibility, long term focus and attention; better access to capital and favorable project economics; and smaller projects size, suburban vs. urban location, and presence of a nearby residential community. In addition, anecdotal evidence was collected from developers that suggested that independent retail helped to lend greater authenticity, character and uniqueness to a project, provided better service to customers, and also helped widen the market draw, encourage repeat business, and even boost the price point of adjacent residential rents.

Methodology

The methodology used in this research included literature review; interviews with project developers, retail leasing agents, and industry professionals; four in-depth case studies and supplemental project information from about a dozen other retail development projects. Information gathered from developer literature was used to explicate the nature of these new Place Making retail projects and the trends driving their development, while examination of texts from the fields of sociology, psychology, geography and urban planning was used to determine the key elements of place and whether independent retailers could be shown to contribute to this sense. Interviews with industry experts were used to elucidate the challenges to incorporating independent businesses in these new retail projects, and to supplement information on how and why these might be overcome in some cases. Finally, four-in depth case studies and information on other projects that attempt (successfully or not) to incorporate independent retail were used to ascertain what were the characteristics of developers and projects that successfully overcame these challenges and to provide some anecdotal evidence as to what these developers perceived or realized as the benefit of incorporating these retailers.

In Chapter Two, I discuss the new styles of retail projects being built and what typifies these "Place Making" developments. Chapter Three delineates the trends among consumers, retailers, owners and municipalities that have led to increasing demand for these new formats and perception of opportunity. Chapter Four outlines the key elements of place making and describes how independent retailers can contribute to a sense of place. Chapter Five summarizes the obstacles and challenges to tenanting these smaller businesses. Chapter Six inventories the characteristics of developers and projects that have overcome these obstacles and successfully incorporated local and regional retailers into their projects, and Chapter Seven offers some conclusions, recommendations and directions for future research.

Chapter 2: New Place Making Retail Development Formats

A new movement is clearly underway in the real estate development industry toward creating retail environments where the design, tenanting and mix of uses differ sharply from the conventional mall and strip center formats of the post-war period. Most notably, however, these developments are aiming to create a "sense of place," such as is frequently associated with traditional Main Streets and downtowns and largely absent from many of today's homogenized and sprawled environments. While, in many ways, place making is simply a return to classic development models, the scale, scope, and modern adaptive elements of these recent projects make them clearly new animals.

New Retail Development Formats

Retail has always been the most challenging real estate product type to build and operate. Development Consultant Daniel Winny calls it "the most delicate flower in the garden."[1] Subject to constantly changing tastes and trends, demanding tenants and finicky consumers, projects without the appropriate supporting market demographics, location choice, tenant mix and vigilant management are unlikely to succeed in today's competitive retail environment.

As regional malls and power centers, some of the most dominant retail formats of the past half century, begin to show signs of weakness, developers are scrambling to find the next new thing in retail. Over the past 20 years or so, many variants have emerged that have been given various names by the industry, including Lifestyle Centers, Urban Entertainment Centers, and Town Centers or New Main Streets. Over 100 of these new format retail projects have been built since 1985 and the pace of development has quickened significantly in recent years; with almost a third commencing operation after 2002.[2] There are examples of these Place Making projects having success across all

[1] Winny, Daniel. Development Consultant, Cambridge, MA. Personal Interview.
[2] Baker, Michael. "Lifestyle Centers – What's New in Development and Performance." *ICSC Research Quarterly*. 10.4: Winter 2003-4.

regions of the country; in urban, suburban and even rural locations; cold weather and hot; tourist and non-tourist based economies; and in rehabilitated buildings as well as new construction.[3]

Below are some commonly accepted classifications for these new formats of retail development. However, because a common theme in each of these seems to be that of attempting to create a "place," these definitions will later be eschewed in favor of a more general characterization as "Place Making" retail developments.

<u>Lifestyle Centers</u>

A Lifestyle Center has been defined by the International Council of Shopping Centers (ICSC) as a shopping center with upscale specialty stores, dining and entertainment in an outdoor setting.[4] Most are between 150,000 to 500,000 s.f. (as compared to a typical regional mall size of 400,000 - 800,000 s.f.) and occupy between ten and 40 acres (a regional mall typically occupies 40-100 acres). These projects are not usually anchored, but may include a large format bookstore, multiplex cinema, small department store(s) and big box store(s). Most industry experts also agree that these projects tend to be near affluent areas, emphasize design, ambience and amenities, and have higher sales productivity than regional malls, despite having lower customer counts. Many Lifestyle Centers have also brought in a mix of uses such as residential, office, hotel, or institutional. They have been built on greenfield sites in traditional suburbs, greyfield properties in the inner-ring suburbs, and redevelopment parcels in old downtown cores. According to ICSC, more than 100 of these projects have been developed since 1987 for a total gross lease area (GLA) of 33 million s.f.[5] Examples of these projects include The Shops at Briargate in Colorado Springs, Bethesda Row in Bethesda Maryland, and Santana Row in San Jose California.

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[3] Bohl, Charles C. *Place Making: Developing Town Centers, Main Streets, and Urban Villages*. Washington D.C: Urban Land Institute, 2002.
[4] No Author. "Shopping Center Definitions." International Council of Shopping Centers.
[5] Op. Cit., Baker.

Urban Entertainment Centers

Like Lifestyle Centers, Urban Entertainment Centers (UECs) have a combination of retail, dining and entertainment uses within an appealing pedestrian realm, which is often open-air. However, these projects are more likely than Lifestyle Centers to be located in urban areas and to attract a significant tourist population. The key components of UECs are megaplex theaters and icon restaurants.[6] In addition, developers have used techniques employed by the entertainment and resort industry to create "immersive guest environments."[7] "Programmability" of the environment through community and arts events, changing movie schedules, cabarets, and comedy clubs is used to generate return visits. Partnerships between retail developers and the entertainment industry have resulted in projects such as Sony's Metreon in San Francisco and the Buck Companies' North Bridge project in Chicago. Other projects have involved linkages with stadiums or cultural institutions.

Town Centers / New Main Streets

Town Centers have been described as mixed use developments with a Main Street or town square layout and a substantial retail component. These projects emphasize human scale architecture, 24-hour a day usage, social activity and animation. In many ways these projects are a return to when retail served as the nucleus of a community. One article describes these developments as places designed "[for] all kinds of people to come together for a variety of everyday activities all day long, seven days a week… a place where people want to live, work and visit again and again."[8] This category of projects encompasses everything from new Main Streets and town squares in typical post-WWII suburbs to redeveloped big-city downtowns and newly developed transit villages. Some typical examples of these projects are Reston Town Center in Reston Virginia, Mizner Park in Boca Raton Florida, and Easton Town Center in Columbus Ohio.

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[6] Zerbst, Robert and Jane H. Dorrel. "The Experience Economy." *Urban Land.* February 2000: pp 42-45.
[7] Rubin, Michael S. and Charles Bragitikos. "Destination Development Arrives." *Urban Land.* February 2001: pp 40-49, 111.
[8] Jacobson, Thomas E. "Town Watch." *Urban Land.* May 2001: p 36.

Common Denominator: Place Making

While these new retail projects being developed go by a variety of names, in many cases what differentiates them is simply jargon. One developer joked that the same projects may be described to lenders as entertainment centers or hybrid malls and when presented to the community for predevelopment approval, they become retail oases or urban villages.[9] Another article simply used the term "Alls" instead of malls to describe these projects.[10] In reality, there are clearly several unifying themes that characterize these projects. While industry publications note commonalities in attention to design, selective tenanting and inclusion of mixed use elements, I add my own category which I feel encompasses all of these projects: an attempt to create a "place."

Design

The majority of these new retail projects have an open air format and are designed to look and feel like a small town downtown. This is accomplished through higher densities, walkable blocks of 200-300 ft. and pedestrian scaled architecture and amenities. Careful attention is paid in these projects to articulation of individual storefronts and buildings so as to avoid a homogenized, "built all at once" look, and retailers are often given significant latitude, unprecedented in regional malls, as to the exterior design of their stores. Often the architecture is designed with a local or historic reference so as to integrate more seamlessly into the surrounding neighborhood. Most of these projects incorporate wide sidewalks and public plazas, constructed out of high quality materials, which encourage social interaction and customer lingering. At the same time, parking is located conveniently along the perimeter of the project so that customers seeking convenience can drive close to a particular store to run in and grab something quickly.

Tenanting

While these projects have been situated in a variety of locations with a multiplicity of market demographics, and have incorporated, in some cases, high end boutiques and signature restaurants

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[9] Savopoulos, Marios. "Lifestyle Centers." *Urban Land Archives*.

[10] No Author. "Retail Development Evolves from Malls to "Alls" Providing More Than Shopping: ULI Looks at Industry Trends." *Urban Land*. March 24, 2004.

and in others, big box discount retailers and chain fast food restaurants, the target tenant mix and leasing strategy in these projects are very similar. Most of these projects are unanchored, or indeed "multi-anchored," with restaurants and entertainment filling the role as traffic generators served by large department stores in regional malls. The goal is to create a one stop destination where customers can take care of their shopping, service and leisure needs. In these projects, the tenant mix is carefully selected, not along traditional age and income categories, but instead along cultural or "lifestyle" lines such as outdoors or sports enthusiast. The hope is to create customized environments where the shopper feels a sense of identification. Leasing in these projects has become a subtle art, with retail leasing agents who previously relied on static formulas, now being far more selective and creative as to which tenants are brought into the project.

Mixed-Use

Developers of Lifestyle Centers, UECs, and Town Centers / New Main Streets are not simply relying on restaurants and movie theaters as traffic generators. Instead they are often creating their own built-in demand by incorporating a wide range of other uses into their projects.

The addition of residential components in particular has proven very successful in these projects. This has ranged anywhere from apartment and condominiums on the upper floors of commercial buildings, to townhouses and even single family homes.[11] Residents provide an immediate customer base for retailers and restaurants, and help to activate the area day and night. In addition, many developers have noted that the residential components of these projects have proven very popular, and that if anything demand has far outstripped supply. Yet another benefit is that lenders like to see a more stable asset such as residential when calculating financing for these projects.

Office and Hotel uses have been another popular addition to these retail projects. Office workers patronize the retail during the day and after work, and if offices of local service providers such as doctors, dentists, attorneys and accountants are included, they serve to draw in even more people.[12] For companies, the proximity to amenities offered in these types of projects is appealing for

[11] Op. Cit., Jacobson.
[12] Ibid.

employee attraction/retention. Richard Florida notes in his book, *Cities and the Creative Class*, that quality of life in the community increases the attractiveness of a job by 33%.[13] Hotels also serve as destinations in and of themselves, and guests create an important spillover effect, especially in the evening.[14]

Cultural and Civic facilities such as libraries, town halls, post offices, theaters, schools and museums are other excellent complements to these projects. Besides helping to attract people around the clock, they serve to give projects legitimacy and stability, as these institutions are unlikely to pack up and leave in a few years.[15]

Place Making

Despite the metrics that have been given to try to describe and categorize these projects, what in reality unifies them the most is their attempt to create something intangible. That is to create an atmosphere of community that will be remembered fondly by patrons, and rewarded with longer stays, repeat visits and customer loyalty. In order to connect with the community and customers, these developers aim to create not simply an outdoor mall, but a "place" with heart, character and identity where people will want to live, work, play and shop. Evidence that this is indeed the objective pervading the development of these new retail projects comes from cues such as in 1999, the Urban Land Institute (ULI) held its first annual "Place Making" conference, and excerpts from project marketing material that make clear this intention:

"Our mission is to create urban spaces that are not just shopping centers, but dynamic, people- and pedestrian-oriented places that everyone can look forward to visiting again and again" —Santana Row (Federal Realty Investment Trust)

"We have a commitment to creating "town centers" that respect a community's unique character and reflect the spirit of its residents." —Caruso Affiliated (prominent Lifestyle Center developer)

"Belmar is Lakewood's new downtown: a place designed for every dimension of daily life… in the tradition of all great downtowns, there is something here for everyone." —Belmar (Continuum Partners)

"The Town Square. Throughout history, it's always been a place where people chose to naturally gather…it was part of their daily routine… [t]oday, technology and workplace pressures demand an even faster pace of life… [y]et our fundamental needs

[13] Florida, Richard L. *Cities and the Creative Class.* New York: Routledge, 2005.
[14] Lee, Thomas, L. "Place Making in Suburbia." *Urban Land.* 59, 10 (Oct 2000): 72-79.
[15] Op. Cit., Jacobson.

and desires remain the same – we want a safe and secure environment where we can gather to work and play, to eat and meet, and to shop and be entertained. A place where we can enjoy time with our families, friends and neighbors. Southlake Town Square…still that place." —Southlake Town Square (Cooper & Stebbins)

Thomas L. Lee, former chief executive officer of Newhall Land and Farming Company, describes how "place making has turned real estate developers into city builders… [t]hey no longer are constructing isolated projects, they are building large-scale, multidimensional places that will last for generations."[16] In light of this observation, for the rest of this analysis, these new styles of retail developments will be referred to as "Place Making" retail developments.

A Return to the Past, with Some New Features

Everything Old Is New Again

The idea of creating a district to serve as the center of a community, where people can live, work and shop within close walking or commuting distance is nothing new at all, and was indeed the way cities evolved naturally. It was the predominant way of development in U.S. cities until after World War II, and has remained the norm in Asia and Europe. After the war, several factors in the U.S. such as landmark legislation, professional trends and new settlement patterns conspired to result in the sprawling land use that characterized the second half of the twentieth century.

In 1926, the U.S. Supreme Court upheld the Village of Euclid's right to establish zoning districts with different use classifications.[17] Since that time, municipalities have focused on segregating and regulating the densities of each land use, resulting in the geographic isolation of different segments of a community's daily life (work, home, shopping). In light of these zoning regulations, real estate developers after the war began to specialize in specific building sectors such as residential or retail. It has evolved to the point where business for each area is conducted almost completely independently, with their own set of associations, markets and financing sources, and a considerably narrower creative focus.[18] Even today, as municipalities and consumers begin to realize the benefits

[16] Op. Cit., Lee.
[17] *Village of Euclid, Ohio v. Ambler Realty Co.,* 272 U.S. 52 (1926).
[18] Op. Cit., Jacobson.

of mixed use development, the real estate development industry's relative lack of experience with the complex zoning, financing, design and construction requirements of mixed-use have kept many developers away.

Two other compounding factors behind today's sprawling landscape are the invention of the automobile and mass suburbanization after World War II. Henry Ford introduced the Model T in 1908, and by the 1940s affordable models were readily available. Thus, after WWII, burgeoning "Baby Boom" families, enticed by low cost government mortgages for veterans and in possession of shiny new automobiles, struck out in droves on the newly minted interstate highway system for the suburbs. Soon, single family homes and suburban office parks dotted the landscape, and where the people went, so did the retailers. Strip centers were built so as to attract maximum attention in an auto-dominated environment, with high visibility from a main arterial and plenty of parking out front. Low prices were emphasized over service and amenities not vital to retail sales. Soon after, in 1956, the first regional mall, Southdale, was built in Edina, Minnesota.

New Features of Today's Projects

What differentiates these new Place Making retail projects from the developments of the past is their scale, the fact that they are being developed all at once (often by a single entity), inclusion of updated infrastructure that meets today's retailing demands, and the addition of management strategies learned from regional malls.

There have been several attempts at revitalizing traditional business districts. For example, The National Trust for Historic Preservation's Main Street Program, centralized retail management (CRM) such as business improvement districts (BIDs), and other initiatives have attempted to strengthen retail through storefront upgrades, streetscape improvements, and shopping center management techniques like coordination of leasing and advertising.[19] While these programs have shown to be successful in improving the commercial environment of downtowns and in enhancing the shopping experience of consumers, these areas are often limited by small storefronts, low retail volume, and inadequate access and parking. In addition, research has shown that the BID approach

[19] Achimore, Alex. "Putting Community Back into Community Retail." *Urban Land.* August, 1993.

is often unsustainable in the long term because these associations rarely take on the task of proactively controlling the tenant mix, settling instead for a passive recruitment strategy.[20]

New Place Making retail projects being developed today are benefiting from adaptations that meet present-day retailer and customer demands such as accessible parking, consolidated infrastructure (including maintenance and operations), and consistency in leasing and design.[21] Perhaps most importantly though, these projects, because they are singularly owned and operated, can use management techniques perfected in regional malls such as carefully selected tenant mixes, percentage rents, and common area maintenance fees to internalize the agglomeration effects of these projects.

[20] Gopal, Devika. *Promoting retail to revitalize downtowns: an examination of the business improvement district idea.* Thesis, Urban Studies M.C.P. Massachusetts Institute of Technology, 2003.
[21] Clark, John. "The Next Generation of Town Centers." *Urban Land Archives.*

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Chapter 3: Factors Driving the Shift in Retail Development Formats

A variety of drivers have combined to lead developers to pursue these new Place Making retail projects. One major factor is increasing evidence that new regional mall and strip center developments are no longer yielding the promising returns they once did. This weakening of these once dominant models can be explained by current trends in customer, retailer and municipality demand away from malls and toward Place Making. Furthermore, in addition to these demand trends, developers are beginning to recognize and appreciate the potential for superior profitability in these projects.

Decline of the Regional Mall

For the past half century, the formula for retail real estate development has been quite standardized. Developers built various sized strip or so called "neighborhood" or "community" centers to accommodate supermarkets and other specialty stores. Bigger versions of these shopping centers, known as "power centers," were built to accommodate mass discounter and category killer type stores such as WalMart, Target or Home Depot. Larger still were regional and super regional malls, with anchor department stores on each end and food courts in the middle.[22]

Today, new retail formats such as outlet centers, lifestyle centers, entertainment centers and town centers / new main streets are being developed at a far more rapid pace and demonstrating greater success than power centers, and especially regional malls. Neighborhood/Community shopping centers, despite competition from WalMart, seem to be the only post-WWII formula that has yet to falter in recent years. While these new formats are unlikely to replace regional malls and power centers completely, according to the ICSC, the number of lifestyle centers will double in the next few years. By contrast, only about a dozen malls are scheduled to be built in the entire country over the next couple of years.[23] Also, according to the Urban Land Institute (ULI), development

[22] Irwin, Neil. "No Demand, No Land for More Malls." *Washington Post*. February 2, 2003.
[23] Carter, O.K. "Lifestyle center offers another sort of hangout." Star-Telegram. May, 9 2005.

prospects and projected rent increases for these projects outshine those for regional malls and power centers.[24]

At the same time, hundreds of other regional malls and strip centers have closed down. John Bucksbaum, CEO of Chicago-based General Growth Properties, Inc. says, "The question is not how much has retail floor space grown in America, but rather how much has grown obsolete."[25] This phenomenon has become so widespread, that the term "greyfields" has been coined to describe these failing retail properties that would require significant public and private-sector intervention to stem decline and are economically and physically ripe for major redevelopment. According to a May 2001 PricewaterhouseCoopers study, there are as many as 140 regional malls in the United States that are already greyfields, with another 200-250 such malls approaching greyfield status. Together, these two categories represent 18% of all regional malls nationally.[26]

Demand Trends Driving Shift from Malls to Place Making

This departure from the dominant models of retail real estate can be explained by a constellation of demographic, economic, and cultural factors. Geographic and household characteristic shifts, changes in the retailing industry and influential ideological movements have all contributed to the need for a reinvention of retail real estate formats. Thus, demand for these new Place Making retail developments seems to be coming from each of what one article referred to as the "three pillars"—customers, tenants and municipalities.[27] While many of these contributing factors are significantly intertwined, it is along these categorizations that these trends are explored.

<u>Consumer Trends</u>

Retailers have always had to closely follow their customer in order to remain viable, and attention to current consumer demands has increasingly uncovered some significant demographic shifts; a desire

[24] "Emerging Trends in Real Estate." Urban Land Institute and PriceWaterhouseCoopers, 2005.
[25] Kessler, Kristina. "Main Street Shopping." *Urban Land Archives*.
[26] Sobel, Lee S. and Steven Bodzin. *Greyfields into Goldfields*. San Francisco, CA: Congress for the New Urbanism, 2002.
[27] Hoban, Sarah. "A Breath of Fresh Air: Lifestyle Centers Evolve to Meet Shoppers' Demands for Convenience." *Commercial Investment Real Estate Magazine*. May/June 2004.

for more convenient, one-stop shopping destinations; and increasing customer malaise with existing formats and craving for authentic and interactive environments.

Demographics

Changing demographics in the United States, such as geographical shifts, increasingly heterogeneous households, an aging population, and changes in income distribution are some of the driving forces behind the locations and types of new retail centers being constructed.

Americans today are increasingly choosing to settle in urban (non-rural) areas. Whereas urbanization in the U.S. was at 74% in 1975, that percentage is expected to increase to 80% by 2015.[28] Because of this trend, new retail developments are more often being located in urban and suburban infill locations, brownfield redevelopment sites, transit accessible areas, and blighted locations, as opposed to the more typical greenfield development sites where regional malls are usually found.[29]

Some of this urban growth is the result of a growth in immigrant communities, especially Latinos and Asians. In addition, the tastes of these consumers are more heterogeneous, calling for more specialized retail environments. There are already Hispanic-oriented malls and entertainment centers in Chicago, Denver and Atlanta and Asian-themed shopping centers in Puget Sound, Washington; Vancouver, Canada; St. Paul, Minnesota and Pahrump, Nevada.[30] Because as some have already pointed out, retail developments in the countries from which these immigrants hail are much more likely to be of the traditional, mixed-use town center variety, new Place Making retail developments are also likely to appeal to these consumers.[31]

Another significant household trend spurring a change in retail formats is the increase in households without children (from 54.5% in 1970 to 60.5% in 2000). This is due, in large part, to the maturing of the Baby Boom generation (from 2000 to 2010, the 55 to 64 age cohort will be the fastest-

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[28] http://www.nationmaster.com/country/us/People
[29] Kessler, Kristina. "Retail Watch." *Urban Land.* February 2003.
[30] Ibid.
[31] Mendez, Michael Anthony. *Latino lifestyle & the new urbanism: synergy against sprawl.* Thesis, Urban Studies M.C.P. Massachusetts Institute of Technology, 2003.

growing segment of the population, estimated to increase by more than 47%), who are today for the most part also empty nesters. In addition, there has been a significant growth in one-person households (from 13.1% in 1970 to 25.8% in 2000), largely due to delayed marriages, high divorce rates and longer life spans. Delayed child bearing has also led to an increase in married couples without children, sometimes referred to as "DINKs" (dual income, no kids). Because per-capita expenditures on entertainment and leisure are higher for households without children, this changing household composition is likely contributing to the increased demand for dining and entertainment outlets.[32] A further consequence is that these households are more likely to want to live in cities or denser neighborhoods and are willing to live in smaller, upscale residences with the close access to entertainment, retail, and work environments that they prefer.[33] In fact, the target constituents of more compact, mixed-use New Urbanist developments are 65-75% younger singles and couples, 20-30% empty nesters and retirees, and 5-10% traditional and nontraditional families.[34]

Perhaps partly due to maturing of the Baby Boom generation and changes in the size and composition of households, there has been a significant increase in the share of households with relatively high incomes (from 12.1% in 1969 to 16.6% in 1996). Low-income households also increased (from 20.7% to 22.2%). As a result, the percentage of households with middle incomes declined from 67.2% to 61.2%. Perhaps then it is no surprise that both the luxury and the discount goods markets are booming, while middle-market conventional department stores continue to struggle.[35]

Desire for Convenience

Another significant trend that retailers are seeing from consumers, which is also partly driven by demographic trends, is a desire for convenient, one-stop shopping destinations. An increase in single parent households (from 5.2% in 1970 to 16% in 2000) and women working outside the home (from 43% of all and 30.3% of married women with children in 1970 to 61% and 70.1%

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32 Op. Cit., Zerbst.
33 Frankel, Merrie S. "Urban Retail." *Urban Land*. February 2001.
34 Fairweather, Virginia. "Urban Laboratory." *Urban Land Archives*.
35 No Author. "Changes in Median Household Income: 1969 to 1996." U.S. Census Bureau.

respectively in 2000),[36] together with Americans working longer hours in general and sheer frustration with long commutes, is propelling time pressured consumers to seek convenient places to shop which require a minimum of time spent in the car.

Today's consumers no longer view regional malls as an expedient place to shop. Visitors are spending less time in malls than they used to and visiting fewer stores when they do visit. In 1982 the average visitor spent 90 minutes shopping and visited on average 3.6 stores, whereas in 2000 those figures dropped to 76.4 minutes and 1.3 stores.[37] One reason for this may be that as malls spun off first their supermarkets and personal services tenants, and then in many cases home improvement, electronics, toys and sporting good stores, they are no longer serving as one stop shopping destinations. In addition, competition from power centers, WalMart, e-tailing and catalogue shopping is making consumers more discerning about the time they spend shopping. In these formats customers are either able to park close to stores in order to run in and run out or else shop from the comfort of their own homes, conversely, the layout of regional malls is carefully designed so that customers must walk by other in-line stores in order to get to the most popular destinations.

Place Making retail projects are more likely to have both the convenient access and the broader tenant mix which today's on the run consumer crave. Besides including non-retail land uses, services, and amenities including dining and entertainment options, many of these projects are also designed to be active 24 hours a day seven days a week, therefore providing opportunities for more convenient evening and weekend shopping. The open-air shopping format is also easier to navigate and makes it feasible for consumers to park next to a particular retail store and quickly be on their way. These centers, because of their smaller formats and tendency to be in infill locations are also likely to be more closely located to a consumer's residence or office and therefore require less driving.

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36 Op. Cit., Zerbst

37 No Author. "Fact Sheet." International Council of Shopping Centers.

Seeking Community and Character

However, it also seems clear that consumers must be seeking more than just convenience when they go shopping or else everyone would be shopping at WalMart or on-line. While seemingly contradictory, it seems that consumers are seeking both a convenient place to quickly accomplish their shopping needs and a place to linger and enjoy the shopping experience. Customers today are increasingly looking for places where they can gather to interact and socialize with other people in the community. They are also attracted to locales that are multidimensional, unique and have character, "real places."

Though lifestyles today are more mobile, global, computerized and hectic, all of the prophecies of "going virtual" have not materialized; instead people are finding that they crave connection and the sense of belonging to a community. Author Richard Florida points out that while "[i]n the 'old society,' many people took their cues from, and found their identity in, the corporation… [and] others lived in the town they grew up in and could draw on strong family ties and life-long friends, [t]he 'new society' annihilates many aspects of these older forms of relationships."[38] This alienation is further exacerbated by the decline of traditional families.

With the advent of strip and regional centers in the past half century, the habitat for community functions—a mix of retail and public places that created a setting for repetitive chance encounters—was lost. Especially in the suburbs, people are beginning to feel that their communities suffer from "Tin Man" syndrome—they have no heart.[39] Thus consumers are increasingly attracted to new formats that can provide better opportunities for social interaction with friends and neighbors in the community.

Additionally, people are tiring of the formulaic regional mall with its same department stores, same national chains, same layout, and same architectural theme. According to James Howard Kunstler, author of *The Geography of Nowhere*, "there is little sense of having arrived anywhere because every

[38] Florida, Richard, in Pyatok, Michael. "The Meaning of Place." *Urban Land.* (March, 2001): 36.
[39] Lockwood, Charles. "Retrofitting Suburbia." *Urban Land.* (July, 1998): 50-55.

place looks like no place in particular."[40] As chains have merged, regional differences have blurred or disappeared and selection has narrowed, particularly in areas such as apparel.[41] Today, ten companies control nearly half of all retail sales, compared to roughly a third in 1990.[42] This numbing sameness and lack of diversity may be one reason why, according to a recent Deloitte Touche survey, roughly half of Americans consider shopping "an unpleasant chore" which they avoid as much as possible. More alarmingly for retailers, that number climbed to 55% among respondents under 35.[43]

Perhaps this mega corporate fatigue is partially behind the resurgence in recent years of traditional Main Streets. Notably, beginning in the mid-1990s, traditional main street shopping districts became increasingly popular with consumers and more profitable for tenants.[44] Even Real Estate Investment Trusts (REITs) and Real Estate Operating Companies (REOCs) are recognizing the growing value of traditional Main Streets. In late 1994, Federal Realty Investment Trust launched a "main street" retail program through which the REIT is targeting the acquisition of selected retail and mixed-use buildings in established urban and downtown shopping areas. To date, Federal Realty has an interest in approximately 90 main street retail properties located in 20 cities.[45]

A parallel example of this search for authenticity comes from the hotel industry, where there also seems to be increasing evidence of consumers eschewing corporate chains in favor or establishments with unique identities. One example of this has been the growing popularity of the boutique hotel. In the past 20 years, a growing contingent of travelers, grown tired of staying in large, personality-free hotels geared towards a mass audience, have begun to migrate towards a new, more intimate breed of hotel. These "boutique" hotels attempt to replace the "cookie-cutter" uniformity of a branded hotel's décor, food, and service with more individualistic offerings."[46]

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[40] Kunsler, James Howard. *The Geography of Nowhere.* New York: Simon and Schuster, 1994.
[41] Kotkin, Joel and John M. Olin. "Main Street 2020." La Jolla Institute Report. March 2000.
[42] No Author. "Business Bulletin." *Wall Street Journal.* April 29, 1999.
[43] No Author. "Electronic Consumerism: The Consumer is Winning!" Deloitte and Touche Consulting Group report. June 1996, pp 14-15.
[44] Pyatok, Michael. "The Meaning of Place." *Urban Land.* March 2001: p 36.
[45] Op. Cit., Frankel.
[46] Albazzaz, Alec, Beth Birnbaum, Daniel Brachfeld, Max Danilov, Oriane Kets de Vries and James Moed. "Lifestyles of the Rich and Almost Famous: The Boutique Hotel Phenomenon in the United States." High Tech Entrepreneurship and Strategy Group Project, Insead Business School.

Retailer Trends

While it is true that where the customers go, retailers will follow, several other factors have also led retail developers and tenants to venture forth from their customary strip center and regional mall locations. Market saturation, lack of available land, anchor consolidations, and desire for brand differentiation have recently all either pushed or enticed retail developers and tenants to experiment with untested programs and locations.

Market Saturation / Lack of Available Land

Overbuilding of conventional retail properties, especially since 1990, has resulted in a glut of retail space in the suburbs in recent years and led to market saturation and cannibalization in many areas. Many malls have closed or consolidated in the face of competition from newer centers, and few new malls are being financed, which in turn is forcing retailers looking to expand in search of new places or ways to conduct business.

Retailers looking to grow have had to seek out less conventional locations such as inner-ring suburb, inner city or other niche areas where the population is still underserved by retail. It is estimated that 25% of retail demand is unmet in urban centers, and customers in these locations spend on average more than the overall population on apparel, furniture, consumer electronics, tableware and entertainment.[47] However, in these areas where the market is not saturated, lack of available land has meant that new retail projects here are necessarily smaller, denser and pedestrian oriented. In addition, more upscale, niche projects located closer to affluent professionals may not have the density to support a regional mall and discerning tastes are likely to eschew the traditional strip center format, further making the Place Making retail center a viable alternative.

Though these untested locations are considered more of a risk by retail tenants, with fewer and fewer regional and strip centers being built, a retail chain looking to expand has little choice than to experiment with new open air formats or untraditional locations. Even big box stores like Home

[47] Op. Cit., Frankel.

Depot (with its Expo and Villager's Hardware) and Bed Bath & Beyond are downsizing their stores to fit into new locations.

Anchor Consolidations

Besides market saturation, a spate of recent tenant bankruptcies and mergers and acquisitions have reduced the number of retailers available to anchor regional malls and power centers, leaving some owners with gaping holes in their projects that require innovative replacements.

The last ten years have witnessed a significant consolidation of department stores, supermarkets and big box retailers. Federated Department Store Inc.'s acquisition in 1995 of the Broadway, a southern California upscale department store chain, meant that many malls in California and the Southwest became anchored only by Federated stores (Macy's, Bloomingdales). Tenant mixes in regional malls started changing further when department store Montgomery Ward went into bankruptcy and closed 250 stores in late 2000. Most recently, in 2005, Federated merged with The May Company (Famous-Barr, Filene's, Foley's, Hecht's, Kaufmann's, Lord & Taylor, L.S. Ayres, Marshall Field's, Meier & Frank, Robinsons-May, Strawbridge's, The Jones Store, David's Bridal, After Hours Formalwear and Priscilla of Boston), which means that even fewer department store anchors are likely to be available for retail projects.

Similarly, recent supermarket mergers and acquisitions have included Stop and Shop-Edwards and Safeway-Vons and Pavilion in 1996, and Lucky Stores-Albertson's and Shaw's-Star in 1998. And the last couple of years in particular have seen several Big Box mergers such as CVS-Eckerd in 2004 and Sears-Kmart in 2005, and acquisitions such as the sale of Toys 'R' Us to a group of investors led by KKR Group, Bain Capital and Vornado Realty Trust.

In response to all of these consolidations, and the fact that the anchors that do remain are likely to choose to locate in existing, high-performing centers, many managers of B and C malls have had to resort to filling gaps with non-traditional anchors. For many regional mall owners this has meant replacement of department store anchors with Big Box retailers or megaplex cinemas, while strip center developers seeking to plug holes left behind by departing supermarkets or Big Box retailers, have replaced them with a variety of innovative uses such as post offices, medical offices, a charter school, call center, churches and self storage facilities.[48] Thus, many retail properties are being converted to mixed-use simply out of a lack of other viable traffic generating retail options.

Other owners whose sites are no longer suited to regional retail are choosing to wholly convert their malls into Place Making projects in order to remain competitive. For example, the Eastgate Mall in Chattanooga, Tennessee; Mizner Park mall in Boca Raton, Florida; Cinderella City in Englewood, Colorado; Plaza Pasadena in Pasadena, California; and Town and Country in San Jose, California are all examples of defunct regional malls that were converted to Place Making projects.

Seeking Brand Differentiation

While competition among the largest retail tenants in the industry may be waning as a result of all of these mergers and acquisitions, and stores like WalMart and Target are putting discounters and mom-and-pop retailers out of business, competition is heating up among medium sized and higher-end retailers.

Stores such as Williams Sonoma, Barnes & Noble, Crate & Barrel, Pottery Barn, Abercrombie & Fitch, Gap Inc. stores (The Gap, Banana Republic and Old Navy), and Limited Brand stores (which include Victoria's Secret, Bath & Body Works, Express and The Limited) are increasingly looking for an edge to beat out their competitors and establish their own identity. These retailers are no longer content to rely on brand name loyalty or advertising to attract sales. Instead, they are using their stores as the medium for transacting sales by creating an immersive experience that will draw customers in. In order to achieve this differentiation, this category of retailers no longer wants to locate inside a typical suburban mall, instead preferring more prominent locations in pedestrian oriented environments such as Place Making retail centers.

In Place Making style projects, it is easier for retailers to create their own image and style as, unlike in a regional mall, customization of individual storefronts is encouraged. Another benefit of locating

[48] Op. Cit., Hoban.

in these centers is that it increases the visibility of these individual stores, because with more corner locations and outside exposure, they are more likely to stick in potential shoppers' minds.

Finally, and not insignificantly, Common Area Maintenance (CAM) fees are also on average lower in these projects. 59 cents per s.f. in a 200,000 s.f. open-air center as opposed to $1.15 per s.f. in a 500,000 s.f. enclosed mall,[49] helping to keep these retailers competitive.

<u>Municipal Trends</u>

In the recent past, another obstacle that developers have had to face when pursuing new shopping center development is a rigorous entitlement process from municipalities. This recalcitrance, even in the face of hard economic times, seems to indicate a growing political /cultural rejection of standard formats. New development movements and an attempt by towns to try and differentiate themselves and attract new development are likely partly behind this change in attitudes.

Influential Development Movements

One influence acting on municipalities and affecting public perceptions is the increasing exposure of new urban design / planning movements such as New Urbanism and Smart Growth. The New Urbanism movement began in the United States around 1980 as an antidote to America's bland and sprawling suburbs. Its basic tenets are an emphasis on human scale, high density housing, pedestrian-friendly streets and proximity of residences, stores and offices.[50] Smart Growth, a term coined by the governor of Maryland, Parris Glendening in 1997, similarly emphasizes preservation of farms, forests and open space, by promoting compact and infill development, mixed land uses and better transportation options.[51]

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49 No Author. "The Score 2004." International Council of Shopping Centers.

50 Leccese, Michael, Kathleen McCormick, eds. *Charter of the new urbanism / essays by Randall Aendt*. New York: McGraw Hill, 2000.

51 No Author. International City/County Management Association with Geoff Anderson. *Why smart growth: a primer*. Washington, D.C.: Smart Growth Network, 1998.

Planned communities such as Kentlands in Maryland, Celebration in Florida, or McKenzie Towne Center in Alberta have all been developed according to these principles, and as evidence of their popularity and success was established, these concepts have gone from the fringe to the mainstream. As a result of this influence, municipalities today are increasingly unwilling to sign off on plans for new strip centers and regional malls, and are instead far more likely consider proposals for new, more compact and pedestrian oriented, Place Making developments.

Revitalization / Differentiation Efforts

New Place Making retail developments are also appealing to municipalities trying to revitalize their downtowns and create an identity for themselves. Increasingly, inner ring suburbs are suffering the fate that inner cities underwent after mass suburbanization in the 1950s and 60s, and both of these districts are attempting to revamp their image and revitalize their downtowns in order to increase sales and property tax revenues. In many cases, defunct malls and strip centers are having a blighting influence on these locales and cities are looking at ways to rehabilitate these properties and reintegrate them into the fabric of the city using appealing new formats.

In addition, increased competition among look-alike suburbs and towns for residents, jobs and tourism have led these municipalities to seek ways to create a distinguishing identity and character that they can market. For many, these new Place Making developments are seen as a way to potentially create a recognizable image for a town.

One indication of this growing desire among municipalities for differentiation and increasing intolerance of traditional strip center development has been the growth in the last five years of an "anti-formula business" movement. While some towns admittedly are desperate for the infusion of new tax dollars a national chain store might bring into a community, other municipalities are trending in the opposite direction; aiming to protect their unique character by supporting local businesses and preventing national chain retailers from entering their towns. This has been achieved through a variety of means, including small business assistance programs, retail size limitations and strict anti-formula zoning ordinances.

At the modest end, many communities are now establishing grants and revolving loan funds, conducting market analyses, and providing technical assistance to help local businesses expand and new entrepreneurs get started. Another typical tool being wielded by communities is that of imposing size limitations and requirements for impact studies for new stores over a certain size. For example, Ashland, Oregon allows stores of no more than 45,000 s.f. (about the size of a Borders superstore), and in Santa Cruz, California all proposals for stores over 16,000 s.f. are reviewed and only those that will contribute to a diverse and balanced mix of businesses (local vs. national and small vs. large) are approved.[52]

The most powerful tool for corporate zoning control however, is the formula business ordinance.[53] An APA zoning news bulletin explains that "formula businesses are those all-too-familiar establishments with common signage, uniform-clad employees, and corporate doctrines."[54] The small Napa Valley town of Calistoga, California, has the broadest formula business ordinance, prohibiting formula restaurants and lodging establishments, and requiring a special permit for any formula retail business.

While for most communities, the motivation behind implementing anti-formula business ordinances is that of maintaining their uniqueness and viability as tourist destinations, this conviction is reinforced in many towns by a slate of recent studies showing how local businesses can strengthen a community's economic health. Several studies have found that local independent stores tend to have greater local economic impact than national chain stores because they spend locally for the support services that corporate chains tend to centralize in regional headquarter locations.[55] While other findings note that chain retailers rarely deliver all of the benefits they claim, and show how these stores often entail significant hidden economic, environmental and social costs.

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52 Helin, Kurt. "Chain Reactions." *Entrepreneur*, October 1998.
53 Though these ordinances have withstood some recent legal challenges, Attorney Donald R. Worley of Stephenson, Worley et al, San Diego pointed out at the American Planning Association's 2005 National Planning Conference that this sweeping ordinance goes against the regulation of interstate commerce law and is unlikely to remain a viable alternative for communities.
54 Svete, Stephen. "Combating 'Sameness' with a Formula Business Ordinance." *APA Zoning News*. March 2003.
55 Mitchell, Stacy. *The Hometown Advantage*. Minneapolis: Institute for Local Self-reliance, 2000.

Perceived Opportunity of Superior Profitability in New Formats

Besides these shifts in demand, perhaps the best incentive guiding developers is the prospect that, by creating an authentic sense of place in a project, they can reap substantial remunerative benefits. Despite their higher up-front investment costs, successful Place Making projects are demonstrating evidence of higher retail sales, wider market draw, more sustained value, and strong demand and substantial premiums for adjacent residential and office space. As Lee notes:

> *"Place making is the very essence of a real estate development. As people choose one place over another, the place of choice attracts a higher valuation and sells at a premium."*[56]

Higher Retail Sales / Wider Trade Area

Professor of Architecture Michael Pyatok in his essay, "The Meaning of Place," said "a place that is meaningful, to which the participant develops a deep emotional connection, is a place that will be visited again and again… [t]o borrow a term popularized by Web site developers and e-commerce gurus, meaning makes a place "sticky"… That deep, meaningful connection to a place can translate into increased retail sales, more nights spent in hotels, [and] more frequent and larger food and beverage purchases…"[57] Indeed new Place Making projects are realizing strong retail rents, retailer revenues of on average 1/3 more per s.f. than regional malls, and low vacancies. For example, now nearing buildout, Valencia Town Center Drive's retail and office spaces are 95% leased, and retail lease rates average $34 per s.f.—the highest in Santa Clarita Valley; other projects are reporting similar results. This retail success in Place Making projects is also partly due to the ability to attract people from far beyond the standard trade area. It is estimated that a good Place Making center project will draw from a ten-mile radius whereas a typical shopping center draws from a three-to-five-mile radius.[58]

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[56] Op. Cit., Lee.
[57] Op. Cit., Pyatok.
[58] Kaufmann, Gadi, managing director of Robert Charles Lesser & Co., as quoted in Jacobson, Thomas E. "Town Watch." *Urban Land.* May 2001: p 36.

Sustained Value

Furthermore, for centers that are successful in creating a genuine sense of place, there are many indicators that this profitability will be long lasting and not short lived. Examples from many new mixed-use master planned communities and Place Making retail developments have made clear that despite initial construction cost premiums for these centers that can average between 20-25%, greater value is yielded and maintained in he long term.[59] Tom DiGiovanni, principal of Heritage Partners of Chico, California, speaking on New Urbanist developments (upon which the principles of many new Place Making centers are built), noted that "the return on New Urbanist development is better over the long run: conventional development has a five- to seven-year arc, then begins to decline, while new urbanism creates developments with sustained value."[60] One study showed that, during the Texas oil industry crash of the 1980s, homes in Houston's master-planned communities held their value better than properties in standalone subdivisions.[61] While in other communities such as Seaside, property values have increased at a rate "unheard of in American development."[62] Simply the fact that developers are investing so much in these projects suggest that there will be fewer cases of abandonment for these properties, and their sheer size will mean less opportunity for fringe construction to easily displace these. However, because many Place Making centers have been developed only in the last couple decades, better information on this would help bolster what are now mostly anecdotal observations.

Higher Residential and Office Demand / Rent Premiums

Importantly, it is not solely the retail portions of these projects that are doing well, but also the residential and office components, exhibiting quick absorption, low vacancies and significant price premiums. In fact, evidence from most developers indicates that demand for these products is far outstripping supply. It is clear that more homebuyers are looking for a sense of community than ever before. In fact, the surrounding community often is more important than the house itself, according to a recent survey of more than 6,000 homeowners and prospective buyers by Mobil Land

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59 Op.Cit., Achimore.
60 DiGiovanni, Tom, as quoted in Fairweather, Virginia. "Urban Laboratory." *Urban Land Archives.*
61 Martin, John. "Building 'Community'." *Urban Land.* March, 1996.
62 Ibid.

Development Corporation.[63] Another survey of renters found that proximity to work was not as important to residents as the character of the neighborhood in which their building was located, and residents were more enthused about opportunities to walk to stores, restaurants and entertainment than in-project amenities like pools and health spas.[64]

At CityPlace, a ten-block town center redevelopment in West Palm Beach, Florida, response to the 600 planned residential units was overwhelming. In addition, the demand for permanent housing in the community became so acute that nearly all the several hundred apartment units built there have since been converted to condos; occupancy is at 98%. Thus many developers of centers that did not include residential products in their programming mix, such as Redmond Town Center and Mashpee Commons, are now in later phases scrambling to meet market demand. Demand for office has also been strong as employers too want the wide mix of uses within walking distance that a Place Making center provides in order to aid in their recruitment and retention efforts.

Besides this increased demand, it is evident that people are willing to pay significant price premiums for these residential and office products. Recent research on home premiums in New Urbanist communities found that there is about a 12% premium associated with buying a home in one of these compact, mixed-use master planned communities.[65] These premiums have been matched in Place Making retail developments. Hotel guests, and office and apartment tenants seem more than willing to pay the above-average rents to be in a genuine town center, and residential projects are selling for prices that are 10 to 15% higher than comparable housing in the suburbs.[66] At Valencia Town Center, office rentals average $30 per s.f. annually; and luxury apartments along Town Center Drive lease at $20 per s.f. annually—both the highest in Santa Clarita Valley.

Finally, not only do values of residential and office properties within a Place Making project tend to trade at a premium, but also property values for adjacent neighborhoods have shown to increase after the opening of a new Place Making center. Certain condominiums in downtown West Palm

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[63] Ibid.
[64] Van Tilburg, Johannes. "Living above the store L.A.-style." *Urban Land.* October, 1992.
[65] Tu, Charles C., and Mark J. Eppli. "Valuing New Urbanism: the case of Kentlands." *Real Estate Economics*, 27 (1999): 453-474.
[66] Op. Cit., Kessler, "Retail Watch."

Beach Florida doubled in value after the mixed-use CityPlace community was built nearby.[67] This provides the opportunity for cooperation between developers and municipalities who recognize the positive externalities these projects can have on their tax base, setting up a potential win-win situation.

[67] McLinden, Steve. "More Centers Add Homes to Mix." *Shopping Centers Today*. January 8, 2005.

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Chapter 4: Key Elements of Successful Place Making and How Independent Businesses Can Contribute

Clearly there is a demand on the part of consumers, retailers and municipalities for environments with a more unique character and identity that will encourage human social interaction and serve as the heart of a community, and furthermore, a willingness on the part of developers to pursue these projects due to estimated greater profitability. However, this begs the question, what exactly comprises this "sense of place" that will lead these new Place Making retail formats to satisfy this demand and to outperform and outlast the old models?

In this chapter I find that place making, besides a physical act, also involves an intangible social and cognitive quality. Furthermore, I assert that tenanting independent business (locally owned companies that aren't franchises or part of a regional or national chain) or small regional chains along with national chain stores can help contribute to sense of place by contributing spaces more likely to promote social interaction and adapt over time and by providing a sense of uniqueness, rootedness and authenticity. Perhaps most importantly for the development industry to realize, however, is that creating a sense of place is a far more nuanced endeavor than can be embodied in a formula, as was the case with regional malls or strip centers.

Key Elements of Place Making

Given the decline of conventional retail products and new trends in demand, it is evident that many developers have accepted the proposition that upfront investment in place making can yield greater overall and long term value. Already developers are investing in what are touted as place making features—for example using high quality building materials and incorporating non-revenue generating open spaces into their projects—with the goal of later recapturing that outlay. However, the question arises as to what it is in particular about these projects that make them different from lets say an outdoor mall, or even the more recent festival marketplace trend? Is it enough to simply alter the design of these projects so that they are at a more human scale and pedestrian friendly? Is adding a movie theater or a residential component the silver bullet? What really makes a "place"?

Political scientist Dolores Hayden asserts that "place is one of the trickiest words in the English language, a suitcase so overfilled that one can never shut the lid."[68] Lynne Manzo, in her literature review of the study of place, notes that there is "an extensive and ever-growing body of literature that explores the nature and nuances of people's emotional relationships to place… [including] writings on sense of place, place attachment and place identity."[69] This analysis has emerged from a variety of disciplines, including geography, architecture, landscape architecture, urban planning, psychology, sociology, and literature. From these writings, I surmise that, more often than by physical qualities, true places are often characterized by their capacity to foster human social interaction, adaptability, distinctiveness and rootedness.

<u>Social Interaction</u>

According to Social Scientist Patricia Stokowski, "'place' has typically been used in at least two different ways: first, to refer to physical settings, as a context for social action; and second, as a referent for socially constructed contexts of interpersonal interaction and practice." It is in this latter sense of the word that we want to understand the goal of new retail projects, where "place" is not simply a physical construct—determined by geography, topography or architecture—but instead a context for social interaction and memory. As Stokowski notes, "[t]he power of place is not only in its aesthetic or behavioral possibilities, or its iconic status, but in its ability to connect people in society, encourage development of personal and social identities, and reinforce socio-cultural meanings… [t]hese are fundamental qualities of community."[70]

Both the prospective for repeat encounters with familiar friends and neighbors as well as the chance of novel interactions with other diverse individuals are critically important to engendering a sense of place.[71] The former, by creating in people a stronger sense of place or attachment to their community, in turn creates a connection to the place that fosters these social activities; while the latter lends opportunities for new spontaneous and interesting exchanges. In both cases this instills

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68 Hayden, Dolores. *The Power of Place*. Cambridge, MA: MIT Press, 1997.
69 Manzo, L.C. "Beyond house and haven: Towards a revisioning of emotional relationships with places." *Journal of Environmental Psychology*, 23 (2003): 47-61.
70 Stokowski, P. A. "Languages of place and discourses of power: Constructing new senses of place." *Journal of Leisure Research*, 34 (2002): 368-382.
71 Op. Cit., Pyatok.

in visitors a sense of keen anticipation of each return visit, and thus corresponding cognitive associations with the surrounding physical space.

Adaptability

Not only is it important for places to be able to host social interaction within their bounds, but it is also essential for a community to be able to mold a place in its own image, thus allowing individuals to shape their own meanings and memory and fostering feelings of ownership and self determination. Thus, true places must be flexible and adaptable enough to change over time, allowing users to put their own stamp on these environments.

Places acquire much of their permanence and their distinctive character from the collective activities of the people who dwell there, who shape the land through their activities, and who build distinctive institutions, forms of organization, and social relations within, around, or focused on bounded domain, according to geographer David Harvey.[72] This need for a malleable environment through which humans can gain a sense of ownership of a place is also supported by Kevin Lynch in his seminal work, *A Theory of Good City Form*, which points out that "a settlement should permit an unfolding creation of meaning, that is, a simple and patent first order structure which allows a more extensive ordering as it is more fully experienced, and which encourages the construction of new meanings, through which the inhabitant makes the world his own."[73]

Distinctiveness and Rootedness

Another important aspect of being able to mold one's environment is that in doing so this space becomes idiosyncratic, authentic and unique. This not only differentiates it from other places and instills a better sense of individuality in patrons, but also helps inspire feelings of identification as these places grow to reflect distinct community values.

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72 Harvey, David. "From Space to Place and Back Again: Reflections on the Condition of Postmodernity." In *Mapping the Future*. Eds. Bird, Jon, Barry Curtis, Tim Putnam, George Robertson & Lisa Tickner. London: Routledge, 1993. 3-29. of Postmodernity

73 Lynch, Kevin. *A Theory of Good City Form*. Cambridge, MA: MIT Press, 1981.

Twigger-Ross in his article, "Place and Identity Processes," finds that there are four principles behind residential place identity: continuity (reference for past action and experience), self-efficacy (individual's belief in their capability to meet situational demands), distinctiveness (desire to maintain personal uniqueness) and self-esteem (feeling of worth or social value).[74] Thus, in addition to creating venues for repeated social encounters and malleable environments that give users some control, true places, to further instill feelings of identification, must be distinct settings that are representative of community values and thus authentic and locally rooted.

Contribution of Independent Businesses to Sense of Place

While many of these new retail projects are accommodating physical elements that are conducive to creating a place—such as public spaces that foster social interaction or interesting and contextual architecture that creates distinctive environments—other elements of place, such as ability to adapt or establishment of a sense of authenticity, are more difficult to capture through design. In fact, almost by definition they involve a lack of rigid programming. Yet many of today's newly built environments are premised almost exclusively on what Pyatok calls "excessive control of the built environment and canned nostalgia."[75]

Furthermore, from the discussion of key elements of place above, it is evident that place making involves more than just physical design. As Stokowski points out, "if a true place is socially constructed, then, the creation of a sense of place can be seen as a social task."[76] In addition, Pyatok points out that "[w]hile architecture, design, and street-level appointments should not be overlooked, they should also not be allowed to become substitutes for what takes place within—or for the juxtaposition of varied experiences that may collectively comprise—a place."[77]

Programming and content are clearly also vitally important to creating a sense of place. As Pyatok puts it, developers must learn that "experience has less to do with the design of the buildings than

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[74] Twigger-Ross C.L, D.L. Uzzel. "Place and Identity Processes." *Journal of Environmental Psychology* 16 (1996): 205-220
[75] Op. Cit., Pyatok.
[76] Op Cit., Stokowski.
[77] Op. Cit., Pyatok.

with the activities that occur within and around them. While the street is arguably the most visible public place, the quality and frequency of its use *depends almost entirely on the uses that line it*, with its design coming in a distant second in importance" [my emphasis]. Similarly he notes, for rehabilitation projects, "the nature of reuse will do more to determine the meaning of a place than the quality of the architecture or the integrity of the restoration."[78]

Given the understanding of the key elements of place outlined above, for retail projects, the businesses most likely (though not categorically or exclusively) to contribute to a sense of place are those which are not part of a national chain, due to their greater capacity to foster social interaction, reflect local character, and be adaptable and idiosyncratic. While independent retailers (locally owned companies that aren't franchises or part of a regional or national chain) or small regional chains (less than six stores) can conceivably include everything from mom-and-pop stores and service oriented retail such as dry cleaners and beauty salons to small regional retail or restaurant chains to unique upscale boutiques and signature restaurants, in general these stores are more likely than national chains to contribute to a sense of place.

Though in today's highly competitive retail economy it is unlikely (and probably undesireable) that any new retail project be dominated by stores of this type, a project tenanted solely with remotely managed chain stores will be hard put to instill the same sense of community. Thus, a healthy mix of both national chain and more unique tenants is most desirable.

Increase Likelihood of Diverse Social Interaction

Local businesses contribute to the human desire for social interaction and novelty by providing dynamic settings for chance interactions among a diversity of patrons. Local customers will tend to seek out and form allegiances to places where there is an opportunity for repeat encounters with familiar proprietors or a heightened chance of running into friends and neighbors. Local businesses, which are more likely than national chains to provide the day to day services required by communities, help assure these reencounters by encouraging frequent repeat visits. One developer noted, "[t]he challenge is making town centers distinctive and keeping them fresh so that people will

[78] Ibid.

return to them again and again… [a] real place has space for local professionals such as doctors and lawyers, local entrepreneurial shopkeepers, and local everyday services."[79] Of course not all independent businesses will foster this sense, and some national chain stores such as Starbucks have premised their business model on encouraging this interaction—providing comfortable seating and amenities such as wireless internet access to encourage lingering and socializing—however, this is more the exception than the rule with national chain businesses.

In addition to attracting local clientele, other small businesses will tend to draw patrons from outside the community because of the unique products they offer or the quality of their customer service. Thus, as Pyatok notes, "the chance of running into someone one knows is just as good as that of meeting someone interesting … "[t]here is a diversity and dynamism among the patrons that make each visit exciting and memorable. If one wants to see the same kinds of people, over and over again, with whom one will develop no desire whatsoever for human interaction, the answer is to go to an Applebee's or a Chili's or a TGI Friday's anywhere in the country, anytime of the day or night."[80]

This nexus between retail, especially locally owned or unique establishments, and the creation of a sense of place through fostered human interaction has also been pointed out in writings on place. In Hester's essay "Sacred Structures in Everyday Life: A Return to Manteo, North Carolina," he discusses his analysis of community place attachment in a town facing redevelopment.[81] Using surveys to develop a list of what local community residents call "sacred structures," he found to his surprise that the places residents most valued were not of architectural or historic report, but instead "humble places… that provided settings for the community's daily routine." These places included the local drugstore, an old diner, and a parking lot next to the post office where residents would bump into each other. This analysis indicates that place identity and attachment had little to do with the physical characteristics of these "sacred structures," but were instead the result of the stories and interactions that the residents experienced in these locales. While clearly independent retail is not the only place where these interactions blossom, not insignificantly, the retail establishments and

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79 Op. Cit., Lee.
80 Op. Cit., Pyatok.
81 Hester, R.T. "Sacred Structures and Everyday Life: A Return to Manteo, NC." In *Dwelling, Seeing, and Designing: Toward A Phenomenological Ecology*. Ed. Seamon, David. Albany NY: SUNY Press, 1993. pp 271-297

restaurants that *were* identified as "sacred structures" were local, unique institutions and not the nearest Rite Aid or McDonalds.

<u>Instill Feelings of Individuality and Identity</u>

Another important contribution of independent businesses to place is that the proprietors of these stores are more likely to have the values of the community at heart and through their personal familiarity with local clients, reinforce feelings of individuality and self esteem in these patrons.

Jane Jacobs, in *The Life and Death of Great American Cities*, highlights the importance of people and daily human interactions to creating a sense of community and trust. "[Community] grows," she writes, "out of people stopping by the bar for a beer, getting advice from the grocer and giving advice to the newsstand man, comparing opinions with other customers at the bakery and nodding hello to the two boys drinking pop on the stoop . . . hearing about a job from the hardware man and borrowing a dollar from the druggist . . . " "Most of it is ostensibly utterly trivial," she goes on, "but the sum is not trivial at all. The sum of such casual, public contact at the local level. . . most of it fortuitous, most of it associated with errands . . . is a feeling for the public identity of people, a web of public respect and trust, and a resource in time of personal or neighborhood need."[82] In the community Jacobs describes, the storeowners live in the neighborhood, and serve as "public characters," who keep an eye on what is happening.

Furthermore, Ray Oldenburg in his book, *The great good place: cafés, coffee shops, community centers, beauty parlors, general stores, bars, hangouts, and how they get you through the day,* highlights the importance of "the 'third place' …a generic designation for a great variety of public places that host the regular, voluntary, informal and happily anticipated gatherings of individuals beyond the realms of home and work.[83] Oldenburg argues that the character of these places is determined most of all by its regular clientele. He also distinguishes the third place from "nonplaces":

[82] Jacobs, Jane. *The Death and Life of Great American Cities.* New York: Random House, 1961.
[83] Oldenburg, Ray. *The great good place: cafés, coffee shops, community centers, beauty parlors, general stores, bars, hangouts, and how they get you through the day.* New York: Marlowe, 1997.

"In real places the human being is a person. He or she is an individual, unique and possessing a character. In nonplaces, individuality disappears. In non-places, character is irrelevant and one is only the customer or shopper, client or patient, a body to be seated, an address to be billed, a car to be parked. In nonplaces one cannot be an individual or become one, for one's individuality is not only irrelevant, it also gets in the way. Toby's Diner was a place. The Wonder Whopper, which stands there now, is a nonplace… [t]ransients and other occasional diners flock to the familiar logo, the plastic place where the help is almost as transient as the customers."[84]

<u>More Flexibility and True Uniqueness</u>

Besides playing host to important social interactions, local entrepreneurs are also likely to create places that evolve over time, and create distinct environments that are neither contrived nor controlled, allowing the patrons themselves to formulate their own meanings and attachments over time.

Unlike formula businesses, which are required to maintain standardized services, decor, uniforms, architecture, signs, or other similar features, independent businesses are not bound by these rules. Thus, they are much more likely to be idiosyncratic and truly unique, not just the same old tenants dressed up in unique ways. A smaller, nicer Bed Bath and Beyond is still just a Bed Bath and Beyond. In contrast, people take pride in their local businesses. Lewis Goodkin in an article for *Florida Trend* notes… "[w]hen asked to name our favorite restaurant, café or shop, it is usually a unique local business. Just look at the results in many community's "best of" polls as proof."[85] Developer William Tuchscher also notes that: "Organic, interesting places with soul have 'the characters': Mom 'n Pop stores, local restaurants, a grocery store, and services—not the large franchises… [t]hey lend true personality to a place."[86] And Oldenburg observes that "[third] places are rarely appreciated as much as they should be while they are still operating. When a place such as this burns down, however, it is much like the death of a beloved first citizen. The community no longer seems the same; much of its character and charm seems to have depended on that place."[87]

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[84] Ibid.
[85] Goodkin, Lewis M. "Too Much Fun?" *Florida Trend.* St. Petersburg: March 1, 1999. Vol 41, Iss 11: p 72
[86] Tuchscher, William C., president of Tuchscher Development Enterprises, Inc., as quoted in Jacobson, Thomas E. "Town Watch." *Urban Land.* May 2001: p 36.
[87] Op. Cit., Oldenburg

As Jane Jacobs said, "In seeking visual order, cities are able to choose among three broad alternatives, two of which are hopeless and one of which is hopeful. They can aim for areas of homogeneity which look homogenous, and get results depressing and disorienting. They can aim for areas of homogeneity which try not to look homogenous, and get results of vulgarity and dishonesty. OR they can aim for areas of great diversity, and, because real differences are thereby expressed, can get results which, at worst, are merely interesting, and at best can be delightful."[88]

Accordingly, for Place Making retail developments to outperform and outlast the old models—which is presumably what developers are striving for—there must be a realization in the development community that creating a sense of place is a far more nuanced endeavor and process, it cannot be embodied in a formula as was the case with regional malls or strip centers. Lee notes, "[s]uccessful place making is therefore about meeting the demand from the local community. It is not a formulaic real estate product or the latest fad….If developers build a fad, rather than a true town center, they will fail. If, however, they build for the community, if they focus on people and place, they will create a lasting legacy, not to mention reap greater profits."[89] Independent businesses, by focusing on people and community, can be shown to help contribute to this true sense of place.

[88] Op. Cit., Jacobs.
[89] Op. Cit., Lee.

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Chapter 5: Dilution of the Place Making Concept and Challenges to Tenanting Independent Businesses

Despite evidence that place making entails more than design and that incorporating some independent retailers can contribute to a sense of place by complementing ubiquitous national chains with merchants more likely to be idiosyncratic, adaptable and locally civic minded, many Place Making projects today are dominated by national chain stores. In fact, if anything, these projects seem to be getting even more cookie cutter and straying further from the original Place Making concept as the trend takes off, portending negative results for these projects going forward. There are several reasons to explain why this is happening, both reasons why some developers are straying from or misinterpreting the concept and challenges to tenanting independent retail in projects. The primary obstacles to more diverse tenanting include developer and broker adherence to conventional practices; short-term bias in cash flow valuation methods which fail to account for long-term value creation; lender pre-leasing and credit tenant requirements; difficulty identifying and attracting appropriate independently owned businesses; inability of small retailers to afford rents in certain projects and higher likelihood of going out of business; and design constraints.

Dilution of the Place Making Concept

As the Place Making model becomes more tested, retail developers today are increasingly relying on formulas for their development, and in many cases focusing on tenanting solely national chain stores. While having some proportion of national chain retailers in a project is important, because of their lack of flexibility, distinctiveness or authenticity, they are unlikely to contribute as much to creating a sense of place as would a more balanced mix of national and local businesses. Thus, if place making is indeed necessary for the ultimate additional success of these projects needed to recoup upfront investment, the question arises as to the true viability of these projects in the long run. What if the initial success of new Place Making retail projects is simply due to their novelty and tendency to be located near affluent consumers? Once these upscale markets become saturated, or other, even newer retail centers get built in these areas, what guarantee is there that the same thing won't happen to Place Making projects as did regional malls? For many of these projects I contend that there is no guarantee of success, and in fact many are in danger of falling in the footsteps of older failed models.

Evidence of Homogenization

Some industry experts say signs are already pointing to a glut of lifestyle, entertainment, town center and other Place Making developments in desirable locations.[90] As these markets get saturated, there is a high risk of cannibalization for projects that are undifferentiated. Goodkin notes that "[t]he differences between new developments are growing smaller. Many projects now offer a fairly predictable mix of tenants, with only the architecture and interior design providing a distinguishing image... And when three different centers all have a Banana Republic, a Gap and a Cheesecake Factory, it's difficult for any one to carve out a unique identity." [91]

Stephen Svete, in a recent article for the American Planning Association, similarly finds that even award winning design is not enough to distinguish these centers from one another: "a funny thing happened on the way to urban design perfection—American-style corporate capitalism. The plethora of the chain coffee houses, stores, and restaurants devouring space in the neo town centers—the very projects that collect awards at APA conferences—are at risk of turning these developments into carbon copies of one another. The result is not a new type of community at all, but simply a new version of a shopping mall."[92] And Lee warns that for developers who approach these new projects as nothing more than the latest retail fad—designing an open-air shopping mall with some cinemas and a few supposedly place-making features, such as sidewalk benches and faux-antique streetlights—most of these projects will fail ultimately, because they lack critical place-making ingredients."[93]

Pyatok notes that many of these projects also suffer from over planning: "a fundamental flaw in the design and development of new places is that they tend to be planned within an inch of their thoroughly contrived and overly controlled existences, orchestrated down to the smallest detail,

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[90] Kessler, Kristina. "Consumer Connection." *Urban Land Archives.*
[91] Op. Cit., Goodkin.
[92] Op. Cit., Svete.
[93] Op. Cit., Jacobson.

leaving absolutely nothing to chance. Such control certainly makes these projects far more "bankable" on the front end. However, the comprehensiveness with which their future is preordained is the fundamental problem; over time, the predictability of activities and the orderliness of the overall design erode the quality of the experience offered and the underlying value of the asset."[94]

Further evidence of erosion of the concept is that these centers have been growing larger and emulating formats of more conventional regional malls. The first generation Place Making centers were non-anchored projects with on the average 200,000 s.f. of retail. In later projects, many of these centers have grown to regional mall size and often include department store anchors. At the ICSC conference on open-air centers, Dick O'Connell of Talbots, Inc. was quoted as saying, "My experience shows that quality, attention, and the nimbleness of the developer is critical in successful open air (lifestyle) centers. I am concerned that the institutionalization of lifestyle center development, including the recent trend to make these centers larger, may dilute the concept going forward."[95]

Some Threats to Undifferentiated Projects

Developers and retailers should also be wary that despite the stated goal of creating environments with a powerful draw and where people want to linger, in fact, according to ICSC statistics (albeit these pertain only to lifestyle centers), traffic counts at these centers are on average less than at regional malls, and shoppers at these projects spend less time than those in a regional mall (57 min vs. 78 min).[96] Admittedly, for both, the average expenditure per trip is the same ($76), yielding higher sales productivity; and customers tend to visit lifestyle centers slightly more frequently (3.8 times a month vs. 3.4 for regional malls). However, ICSC data also shows that the typical customer at a lifestyle center is far wealthier than average mall shoppers, and is likely to visit malls infrequently (lifestyle center shoppers average only 2.5 shopping trips to malls whereas the national average is 3.4); in addition, 19% of lifestyle customers report having no favorite regional mall and have not

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94 Op. Cit., Pyatok.
95 2005 Lifestyle Center Presentation. ICSC Conference on Open-Air Centers PowerPoint.
96 Ibid.

shopped at any regional mall in the past 30 days.[97] This evidence suggests that these projects may simply be capturing unmet demand among affluent shoppers instead of drawing away significant demand from regional malls and strip centers, and thus much of the early success of these Place Making projects may be attributable to simply their newness and desirable demographics, and not their stated goal of creating a true center of a community where people would visit frequently, and remain to socialize.

Besides cannibalization, another threat to these projects if the goal of creating a Place is not met is competition from catalogues and e-tailing. The propensity in many chain stores of supplanting the helpful shopkeeper or sales clerk with an often ill-informed, poorly trained retail employee means that a consumer seeking product information, uniqueness or value can often now find it better virtually. According to the La Jolla Institute Main Street 2020 report, "In simple terms, the issue for many Main Street merchants will boil down to what may be termed "disintermediation." Simply put, this means that if there is no pressing need to buy an item from a merchant—if he or she adds little or no value except perhaps for a little chit-chat— there is little reason *not* to go on-line." Indeed, it is estimated that consumer direct channels will account for 12% of retail sales by the year 2010, and some experts feel that the immediate sharpness of the threat has only been blunted because of a buoyant overall economy and rising retail sales, which have softened the jolt to the brick-and-mortar sector.[98] At the same time, it is clear that many consumers continue to seek out a personal dimension in their shopping experience, and are sometimes even willing to pay more in both time and currency for a satisfying human experience. This indicates that in the future it will be necessary for retail projects to provide consumers with compelling reasons—personal service, ambiance and authenticity—for purchasing goods outside of cyberspace.

Lessons From the Past

Examples of what elements do *not* create a true place abound, and developers would be wise to learn from recent experiences in declining, once-vibrant traditional urban districts, festival marketplaces and themed developments. Significant evidence exists to suggest that even when there is careful

[97] Ibid.
[98] Bodipo-Memba. Alejandro. "Retail Sales Raise Fears Economy Is Too Hot." *Wall Street Journal*, June 14, 1999.

attention paid to design, theming or creating an "experience," without authentic content, consumers are quick to perceive the artifice. According to the Main Street 2020 report: "Many of the nation's most storied urban districts—from Chicago's famed Maxwell Street to the Plaza in Santa Fe to Old Pasadena north of Los Angeles—are surrendering their historic role as providers of diverse, spontaneous, non-duplicable experiences. In many cases, the changes derive not from demolition but from changes in the *content* of the retail environment. Even when the architecture is lovingly restored, the commercial essence of the street is that of a "mall in brick"[99] [my emphasis]. In contrast, areas such as Boston's Newberry Street, which still attract a variety of both national and unique tenants, are thriving.

Festival marketplaces, popular in the 1980s, also proved to be ultimately unpopular with most consumers. As their tenant mixes became blander, and local customers grew tired of the kitschy theming, these projects became largely tourist attractions. Similarly, in the past decade, mall landlords have tried to lengthen shopper stays with entertainment ranging from amusement parks to aquariums, but those attractions often fell short in generating frequent visits.[100] And according to the La Jolla Report, "the introduction of the 'experience' element in newer retail complexes and malls [does not] seem likely to stem the decline in diversity and spontaneity. In this new retail order, merchants don't merely go for the sale; they seek to 'transform' the customer through the recurring use of particular themes. More artifice than art, more commerce than theater, the new 'theme mall' ends up being ultimately the most predictable of places, particularly as they proliferate. (In Orange County, California alone nearly five such entertainment-oriented centers have been built since 1993)."[101] And Pyatok notes, "[t]here is a mind-numbing, excitement-killing consistency in the 'experience' these establishments offer that is the antithesis of meaningful places. One could be anywhere; if one has a pulse, one would rather be anywhere else."[102]

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[99] Op. Cit., Kotkin.
[100] Berne, Michael J. "Lifestyle Retail." *Urban Land.* 63.2 (Feb. 2004).
[101] Op. Cit., Kotkin.
[102] Op. Cit., Pyatok.

Challenges to Tenanting Independent Businesses in Retail and Mixed-Use projects

While there are significant indications of increased homogenization among projects and the threat to this, and evidence that incorporation of non-chain retailers can add to a retail project's sense of place, there are also several challenges to tenanting independent businesses which deter owners from doing so, including financing, identifying and accommodating these smaller operators.

Large scale retail or mixed use projects of the kind that exemplify Place Making retail projects are already among the most challenging product types in the real estate industry to build and finance. By attempting to integrate a mix of independent and national chain retailers into a project, yet another layer of complexity is added to already daunting circumstances. The six most prevalent obstacles and drawbacks to incorporating smaller businesses into these projects include 1) broker adherence to conventional practices; 2) short-term bias in cash flow valuation methods which fail to account for long-term value creation; 3) lender pre-leasing and credit tenant requirements; 4) difficulty identifying and attracting appropriate independently owned businesses; 5) inability of small retailers to afford rents in certain projects and higher likelihood of going out of business; and 6) design constraints.

<u>Challenges of Mixed-Use Development</u>

Large scale retail and mixed-use projects are already considered by developers to be very difficult to execute. Their high development cost, and long construction period make them too expensive for many developers to undertake. In addition, lenders still feel much more comfortable lending on single use projects which are easier to understand and quicker to generate returns, and thus attach a risk premium to mixed-use projects that leads to high equity and pre-leasing requirements and increased lending costs. Another aspect to lenders' insecurity stems from the fact that because of specialization within the real estate industry, few developers are well equipped to implement the complex mix and layering of uses needed to successfully develop these projects. Besides traditional considerations of site assemblage, construction, etc, developers must also carefully calibrate the location, size, design and adjacency of each use in order to create a complementary, dynamic realm. And yet another compounding factor is that often the optimal design for these projects is in conflict of established building, zoning and traffic codes, often requiring time consuming and uncertain regulatory amendments or public review. While large scale retail and mixed use developments are already quite challenging to construct, incorporating independent retail further complicates the picture—which helps to explain why few developers are compelled to purse mixing their tenants in this way.

<u>Independent Retail Specific Obstacles / Transaction Costs</u>

Professional Myopia

While many in the real estate industry are accustomed to solely developing conventional product types, they are also accustomed to conventional shopping center leasing formulas which give little consideration to tenanting independent retailers. The same holds true for real estate brokers leasing space in these projects. Some of these professionals are still concentrating on achieving a "critical mass" instead of a "critical mix," and are unaccustomed to thinking outside the box when it comes to tenanting, Leasing a successful mix of retailers in a new Place Making center requires far more active and creative management from owners and brokers in order to bring in the appropriate tenants and respond to changing trends. "With the advent of lifestyle centers… tenant criteria manuals evolved into idea-invoking guidelines that were colorful, creative, even inspirational at times. The tenant coordination team, previously viewed as little more than referees, blossomed into mini–project managers—part artisan, part technician" notes architect Marios Savopoulos.[103] For owners and brokers who do not recognize this important change in their management role, and instead rely on a quaint design to mask their outdoor mall, the importance of incorporating local independent retailers is unlikely to be a foremost consideration.

Developer Short-Term Cash Flow Valuations

A further handicap is that many retail developers have grown accustomed to operating in a climate of throwaway built environments where short term cash flows are constantly flipped and reinvested—making careful calibration of a mix between independent and national chain retailers to

[103] Op. Cit., Savopoulos.

create long term place making value superfluous. Despite evidence that well designed environments can return better financial results in the mid to long term, some developers are still solely focused on early returns instead of greatest gains over time. This is also partially due to the short term bias in discounted cash flow (DCF) methodology and internal rate of return (IRR) calculations, which are used to compare alternative investments for usually no longer than ten years. Alex Achimore in a recent ULI article notes, "Until recently, the entrepreneurial developer needed only enough capital to option land, secure entitlements and financing, and pre-lease the major stores. The developer typically would sell the project as quickly as possible to institutional investors, rather than hold it for (more modest) operating profits."[104] While some developers have come around to recognizing the value of holding their investments long term, and others are experimenting with "time tranche" approaches to investing where investors are matched with appropriate investment "slices,"[105] many projects are still being built to be flipped, thus biasing developers to select credit worthy, national chain tenants that will inspire confidence in potential buyers.

Lender Financing

Even for retail developers who choose to own and manage their own projects post-development, stringent lending requirements particularly serve to discourage the tenanting of independent retailers. Because many of these projects do not have strong anchors such as department stores in regional malls, where 20-year lease commitments can provide considerable stability, lenders often require significant levels of pre-leasing to tenants with high credit ratings. With lender pre-leasing requirements of on average 50-70%, developers must concentrate on wooing a critical mass of national retailers who will in turn facilitate the lease-up of the rest of the space due to their solid reputations.[106] If a developer can lease space to Pottery Barn for example, other national, regional and local retailers will be more apt to consider occupying space in the project, knowing that Pottery Barn must have done its due diligence on the market and project. In addition, several national retailers have co-tenancy requirements which might make their occupancy agreements contingent on collocation with certain other national retailers—further encouraging developers to court these brand name businesses.

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104 Op. Cit., Achimore.
105 Kozloff, Howard. "Refining Mixed Use." *Urban Land*. February, 2005.
106 Larsen, Tamara Larsen, Acquisitions Analyst, Thor Equities. Personal Interview.

Furthermore, in terms of time allocation, developers scrambling to lease-up as much space as possible in order to attain financing are likely to find their time most efficaciously spent leasing space to national chain businesses, as opposed to individually seeking out smaller retailers. Larger retailers tend to occupy more square footage and also often have real estate departments and familiarity negotiating lease terms, while independent stores tend to occupy smaller storefronts and may require longer negotiation periods. And significantly, while top national retailers are likely to be bondable and satisfy lender credit rating requirements, smaller retailers likely do not have the credit history or net individual high worth necessary to satisfy these benchmarks. Developments with a high percentage of space leased to non-credit rated tenants inspire fears that the project will not be able to be resold if necessary, and is thus frowned upon by not only lenders, but also developers with a more short term return outlook.

Difficulty Identifying Appropriate Independent Retailers

Even if developers decide that they do see benefit to tenanting independent retailers, it is still quite a challenge to actually identify these operators and convince them to join the project. Firstly there are increasingly fewer of these operators to go around. Grocery stores have largely displaced bakery, floral and pharmacy mom-and-pop operations, and hardware, video and book stores have also largely consolidated. In *Hometown Advantage*, Stacy Mitchell notes that five firms account for nearly half of all grocery sales and that since 1990 more than 13,000 independent pharmacies have closed.[107] In addition, Home Depot and Lowe's now control nearly 45% of the market, Blockbuster Video rents one out of every three videos, and more than 40% of independent bookstores have failed in the last ten years, with only 15% of book sales being attributed to the remaining operators in 2002—down from 58% in 1972.[108] While some niches such as locally based restaurants and dry cleaners remain safe havens for mom-and-pops, and other operators have managed to innovate in order to stay in business, there are increasingly fewer of these to go around. Wally Linburg, a partner at Strategic Retail Advisors observed: "the question is, if there is tenant turnover, will there

[107] Op. Cit., Mitchell.
[108] Ibid.

be enough depth in the marketplace [to replace them with other unique retailers]."[109] And for developers that concentrate on accumulating a critical mass of national chain retailers in order to secure financing and instill consumer confidence during the first phase of their project, by the time they come around to seeking out local retailers for phase 2 or 3, many of these merchants may have already been put out of business.

Another issue complicating finding independent businesses to tenant in a project is that, because small businesses owners are often engaged in the day to day running of their stores and do not have the marketing and leasing departments of large retailers, sometimes developers and brokers must take it upon themselves to seek out these merchants. This involves a significant dedication of time and personnel resources, especially because these retailers tend to lack a credit history. Landlords often must carefully vet mom-and-pop firms—reviewing financials, checking on the condition of existing stores and even assessing less tangible personal qualities.[110]

Moreover, notes Linda Berman of Caruso Affiliated, once appropriate independent retailers are identified, these merchants must still be convinced that moving or opening another location in a new large or mixed use retail project is to their benefit.[111] Small business owners, used to operating on their own terms, may not be thrilled at the prospect of higher rents or about having to conform to imposed policies such as mandatory hours of operation. In addition, because mom-and-pops are less familiar or comfortable with lease negotiations, extra time and guidance will be required from landlords to take these operators through the leasing process.

Instability of Independent Retailers (Real or Perceived)

Another deterrent to owners and brokers working with independent retailers is the widely held opinion that small retailers are unable to pay rents comparable to those of national chain retailers and are more likely to go out of business. Despite the fact that the evidence on this is mixed, even the perception that this is true serves to dissuade owners from actively courting these businesses.

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[109] Grogan, Bradley C. "Revved UP." *Urban Land.* February 1999, pp.30-33, 92-93.
[110] No Author. "Leasing's Struggle to Find Moms-and Pops." *Chain Store Age Executive with Shopping Center Age.* 68.5 (1992): 91-92.
[111] Berman, Linda. Vice President, Corporate Communications and Brand Strategies, Caruso Affiliated. Personal Interview.

While some project managers have reported the need to subsidize local retailers and found these businesses to be less stable, in other projects, mom-and-pop firms, lacking the negotiating clout of national and regional companies, actually pay the highest rent per s.f. In addition, mom-and-pop establishments tend to operate with short-term leases, which build in a mechanism for increasing revenues through rent hikes. Furthermore, Stuart Tanz, president and CEO of San Diego-based Pan Pacific Retail Properties Inc., notes that "mom-and-pop retailers live in a neighborhood and know their customers personally… when their business does well, they will never, never leave your center."[112]

Even for developments where tenant diversity exists at the outset, as popularity of these projects increases, many may face what Jane Jacobs referred to as "the self destruction of diversity."[113] As the project becomes increasingly successful and rents rise, smaller retailers are eventually pushed out by larger chains and diversity is crowded out. Though this seems like a natural dynamic, Jacobs goes on to note that this "triumph" is often hollow because once the diversity is gone the district will become both visually and functionally monotonous, and its popularity will quickly decline. Developers should be careful to consider not only the current profit maximizing strategies for their projects, but also what is in their long term best interest.

Design Constraints

Finally, for some developments, certain design considerations may discourage the creation of smaller tenant spaces that are more likely to appeal to mom-and-pop operators. Because of the relatively large floor plates needed for mixed-use buildings with uses such as residential or office above retail, the tendency is to design for much deeper store depths and, thus, much larger tenants. In addition, because smaller storefronts are more costly to build per s.f. than larger floor plates, smaller retailers, even if they can pay the same rent per s.f. as the larger tenants are still not ultimately paying the developer back proportionally for their construction investment. Furthermore, investments in tenant fit out for smaller operators may seem ill advised to developers who speculate that these businesses are more likely to go out of business than a more stable national chain retailer.

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112 Fickes, Mike. "Local talent." *Retail Traffic.* June, 7 2002.
113 Op. Cit., Jacobs.

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Chapter 6: Place Making Projects that Do Incorporate Independent Retail: Characteristics and Outcomes

Despite the challenges deterring many developers from tenanting independent businesses, some developers of new Place Making retail projects have nonetheless attempted to proactively recruit them. In many cases these developers have specifically set aside a percentage of their retail space for local or regional operators. This chapter examines four of these development projects in depth and also uses information about roughly a dozen other projects that have—to varying levels of formality and success—tried to incorporate independent retail; these are supplemented by several interviews with real estate industry professionals.

The characteristics of these developers and projects were then examined to see if they revealed any indicators of likelihood or viability of tenanting independent businesses. From these it was found that the characteristics that portended or facilitated tenanting of independent businesses fell into three categories—owner characteristics, project financing and economics, and market characteristics. Specifically, owner flexibility, investment horizon, access to capital, and project economics, size, and location all seemed to influence the amount of independent retail incorporated into projects. In addition, anecdotal evidence was collected from developers that suggested that independent retailers helped to lend greater authenticity, character and uniqueness to a project, provided better service to customers, and also helped encourage repeat business and widen the market draw.

Overview of Cases

Mashpee Commons, Mashpee MA

Mashpee Commons is located on Cape Cod in Massachusetts. It was completed in 1988, and is widely considered to be one of the first Lifestyle Centers. The original project transformed the 82,000 s.f. New Seabury strip mall that was constructed in 1968 into a two-level 152,058 s.f. neotraditional shopping center with office space over stores and 905 parking spaces, designed to resemble a pedestrian-oriented New England village center. The developers, Fields Point Development Company, hired Andres Duany and Elizabeth Plater-Zyberk, founders of the New Urbanist movement, as planners for the project.

Since that time 40 residential units above stores have been added, and new anchors include six restaurants, a six-screen movie theater complex, and a drugstore. Later phases of the project are planned that would create a 294-acre new town with single and multifamily residential, hotel, civic and cultural uses. At buildout, zoning allows 300,000 s.f. of commercial (office and retail) space and 100 residential units on the 25-acre site. Currently 24 units of elderly housing, a public library, a church, fire and police stations, and a medical office building are adjacent to the shopping center in other sections of the new town.[114]

Financing for the $13,704,860 Phase I infrastructure, renovation, and new construction costs was accomplished through a two-year construction loan that was flipped to a three-year mini-permanent loan in December 1990. Both loans were received from the Bank of New England. The developers were able to avoid the need for rezoning and subdividing the site, greatly simplifying the approval process and reducing the time required to gain public approval of the shopping center.

The developers, a private limited partnership, manage all aspects of Mashpee Commons; consulting the merchants association, an advisory body, before making major decisions. According to Mashpee Commons Co-developer Douglas Storrs, managers aim for a deliberate mix of upscale national and regional chain stores and mom-and-pop retailers, with a target proportional tenant mix of 1/3 local, 1/3 regional, and 1/3 national.[115] They prospect heavily to find the best mom-and-pop stores and regional tenants (those with 2-6 stores in the broader New England area). Mom-and-pop stores are encouraged to occupy small retail spaces initially (22-24' deep, 300-350 s.f.), and are nurtured by the management. If certain merchants perform well they are moved up to larger spaces incrementally. All retailers pay a base plus a percentage rent of between $25 and $35 per s.f.—the highest rental rates on Cape Cod.

114 Mashpee Commons. Urban Land Institute Case Studies. 21.13: July-Sept. 1991.
115 Storrs, Douglas, Co-developer, Mashpee Commons. Personal Interview.

Mashpee Commons, Mashpee MA

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University Village, Seattle WA

University Village is located five miles from downtown Seattle and ten miles from downtown Bellevue. It contains 490,000 s.f. of retail on 33 acres. The surrounding residential neighborhoods are dense and wealthy, and the University of Washington, with its 33,000 students, is nearby.

The project consisted of the redevelopment of an old junior department store anchored neighborhood shopping center, which was bought by a private investor in 1994, into a "village" style development with community gathering spaces and amenities. Buildings were redesigned and individualized over time, with tenants encouraged to design their own shells. Several tenants provide amenities to the local neighborhoods (grocery, dry cleaners, coffee shop, shoe repair, day care, drug store, etc.), and the center draws on average 18,000 people a day. [116] One article described the ambiance in this way: "At University Village you are not struck by the shoppers at cash registers, because all shopping centers have them, but by the shoppers who are eating, drinking, reading, baby-sitting, even sleeping—in fact, doing everything but buying. The creators of the new Village have made it easy."[117]

University Village remains privately owned and operated. According to Director of Development Tom Croonquist, management is keenly focused on the merchandising mix, seeking out both national retailers they feel can serve as anchors and traffic generators and local, unique retailers with at least one other already successful location.[118] Of the 80 tenants, 50 are unique, local retailers (many of them carrying over from the previous shopping center) and 30 are national chain retailers (though they take up about half the space). Large anchors include a Starbucks, Barnes & Noble and an upscale grocery store.

Tenants at University Village pay a minimum rent plus a percentage rent, common area maintenance fees and contribute to a merchants marketing association. While most of the tenants pay comparable rents, local businesses tend to be smaller stores and therefore pay less rent overall, also,

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[116] Glamser, Deeane. "A New Way to Mall." *Your Turn.* Spring 1999; and Bruce, Bob. "Seattle Center Reflects Harmonious Diversity." *Shopping Center World.* July, 1998.
[117] Kugiya, Hugo. "What's in a Store?" *Pacific Magazine.* October 19, 1997
[118] Croonquist, Tom, Director of Development, University Village. Personal Interview.

national tenants are required to pay lower marketing fees because of their other global advertising efforts. There are, however, some local retailers who pay lower rents than the nationals because management wants them in the village and they can not afford a higher rent. In 1994 average rents were in the $15-22 range, now, ten years later rents are in the $45-70 range—a significant increase. This income is in turn being reinvested in better architecture and site work.

University Village, Seattle WA

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Belmar, Lakewood CO

Belmar is located in the Colorado suburb of Lakewood, population 150,000, and is about seven miles southwest of downtown Denver. It is bounded by several high-traffic arterials lined with suburban strip retail uses. The project is located on 103 acres on the site of the former 1.4 million s.f. Italian-themed Villa Italia shopping center, which at the time of its construction in 1966 was the largest mall between Chicago and the West Coast. The mall began a long economic decline during the 1990s, and was abandoned in 2001.

The project is being developed as a joint partnership between a local small private development firm, Continuum Partners LLC, and the City of Lakewood. Continuum bought the ground lease and the improvements on the site from The Equitable Co. in the spring of 2001. Phase I of the ten year, $750 million project, completed in 2004, was funded with $135 million from six private lenders, $58 million in bonds, and $30 million in equity. The project currently features 634,000 s.f. of retail space with tenants such as Galyan's, Linens ‘n Things, a 16-screen Century Theatres, DSW Shoe Warehouse, Ann Taylor Loft and Bally Total Fitness; 153,000 s.f. of office space; 105 housing units and an 800,000 s.f. parking garage. When complete, Belmar will have one million s.f. of retail space, one million s.f. of office, 1,300 residences, a hotel, four acres of public and open space and 9,700 parking spaces. Ultimately, the project will encompass 19 city blocks.[119]

The project was made possible by the provision of three non-fee charging parking garages by the City of Lakewood. The City was looking to replenish the revenue lost with the abandonment of the 1.5 million s.f. of commercial space that once existed at the Villa Italia mall, and to make a “downtown” by creating an activity node adjacent to its existing civic complex. The developers also made 15,000 s.f. of space available for The Lab, a non-profit arts and education organization.

Still undergoing lease-up, the developers note ongoing struggles with achieving a balanced tenant mix. While they express the desire to incorporate more unique retailers, currently only about ten of the 70 shops are local—a coffee shop, a few restaurants, and jewelry, clothing and ski wear stores—and many of these are heavily subsidized, in some cases paying less than half of the $30 per s.f. the

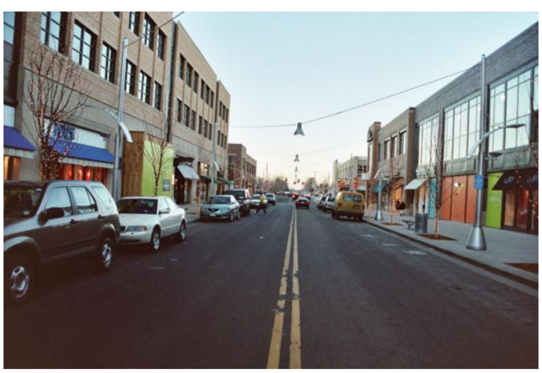
[119] Mattson-Teig, Beth. “Slow But Steady Climb” *Retail Traffic*. Jun 1, 2004.

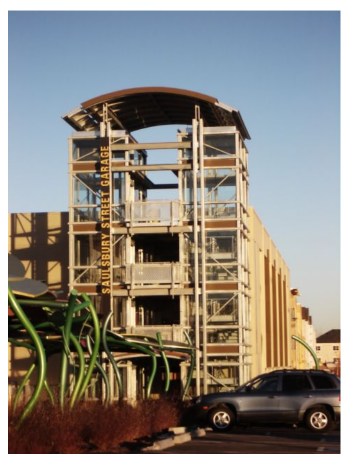
nationals pay on average in rent.[120] The developers have also finished the interior space for local tenants, while nationals must pay to finish their own space. Continuum Partners' Tom Gougeon, Project Manager for Belmar, cited that their tenanting was severely constrained by lenders to the project who "would like to see nothing but national tenants that are more financeable because of their strong balance sheets."[121] Furthermore, he pointed out the need to reestablish the locale as a viable retail destination due to the fact that a failed mall was previously located on the property, noting that national tenants were better able to instill this instant recognition and confidence.

[120] Gougeon, Tom, Project Manager for Belmar developer Continuum Partners. Personal Interview.

[121] Prall, Liza, director of marketing for Belmar developer Continuum Partners as quoted in Arellano, Kristi. "Local retailers find new homes in suburbia. Developers welcome small, unique tenants." *Denver Post.* June 26, 2005.

Belmar, Lakewood CO





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Broadway and Chapel Streets, New Haven, CT

Unlike the projects above, Yale University Properties' redevelopment of Broadway and Chapel Streets was not a new or wholesale retail development; instead it involved the rehabilitation and re-tenanting of retail spaces already owned by the University and purchasing of some new properties along main streets in an already existing urban downtown core. However, the management strategy utilized, with its focus on achieving a healthy balance of national chain and local unique retailers, provides an interesting example for comparison (and incidentally served as the inspiration for this thesis).

Motivation for the project began in the early 1990s when University managers became increasingly concerned with the effect the negative reputation of downtown New Haven was having on recruitment of and quality of life for students and faculty. Having recognized the importance of downtown New Haven to its own future, the University began to play a larger role in the New Haven real estate market. Yale started investing in buildings around the centrally located campus, and partnered with the City and the federal government to make infrastructure improvements in the area.[122]

The University contributed $1.9 million to a $7.5-million effort, completed in 1995, to install new lighting and street furniture, lay brick sidewalks, reroute traffic, and bury utility lines in the Broadway area, where Yale owned 23 of the 37 storefronts. In addition, it purchased a number of residential and commercial properties, many in the Chapel Street area, where the FDIC had foreclosed on several retail spaces formerly held by one property owner. Today the University owns 150,000 s.f. of retail space along Broadway and 125,000 s.f. on Chapel Street,[123] most of the storefronts are small and located on the first floor of historic brick buildings with residential or offices above.

Following this improved infrastructure and new acquisitions, steps were taken to consolidate the management of these properties. In 1998, Yale hired Bruce Alexander, a former top executive with the Rouse Corporation, which helped develop Manhattan's South Street Seaport, Baltimore's

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122 Branch, Mark Alden. "Barnes and Noble and Mom and Pop." *Yale Alumni Magazine*. February, 1999.
123 Hazel, Debra. "Bush League to Ivy League." ICSC *Shopping Center's Today*. July 2003.

Harborplace, and New Orleans' Riverwalk, to manage a program launched by Yale to promote economic development and neighborhood revitalization in New Haven with the help of University resources.[124] Over the next several years, under the direction of Alexander, the University undertook efforts to repair and renovate these retail buildings (though notably retaining the aged patina of the facades) and attract an array of retailers that would both serve the University community, and revitalize New Haven by remaking it as a destination for shoppers from neighboring communities as well. Alexander's approach focused on actively managing the retail properties, getting rid of bad operators and holding onto and bringing in new good retailers.

The idea was to merchandise New Haven's streets along the same lines as a regional mall, while taking advantage of the excitement of the city. "Our objective in buying [the Chapel Street group] is not to change it, but to protect it from being auctioned off piecemeal," Alexander said. "We want to keep the district as it is: a major asset to New Haven and the University." [125] Like a regional mall, retailers in this district pay base and percentage rent, and stores (except food service) have uniform operating hours, allowing the downtown to be marketed and merchandised as one entity.

The first phase of the redevelopment process, from 1996 to 2002, called for adding destination retailers to anchor Broadway and Chapel Streets. University Properties sought national chain stores that could weather the quiet New Haven summers and attract suburbanites who did not work downtown (and were highly prized for their disposable income). Persuading these national chains to take a chance on a downtown area with a reputation for crime was not easy. However, the University did manage to attract stores such as Origins, J Crew and Barnes and Noble.

Some local shops which had been in business for generations, such as the record store Cutler's and men's shoe store Barrie Ltd., were already attracting loyal customers from the suburbs, and University real estate managers were also looking to businesses like these for the area's future, in particular because of the unique character and flavor they added to the area. Accordingly, the second phase of the redevelopment process (still underway) called for introducing independent merchants to give the area an identity as a boutique-oriented Main Street. Joe Fahey, director of

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124 No Author. "University Properties working to woo retailers to revamped Broadway area." *Yale Bulletin and Calendar News Stories* December 9, 1996 - January 13, 1997 Volume 25, Number 15.
125 Op. Cit., Hazel.

operations for University Properties explained, "When we see people who have good ideas and good businesses in the area, we approach them."[126] The challenge here, according to University managers, was finding independents looking to expand. To this end, University Properties created a position of "retail recruiter," for which they often hired a recent Yale graduate, to seek out innovative entrepreneurs in places like Boston, New York and Washington D.C. Their retail broker was also put on retainer due to the choosy nature of retail decisions made by University managers that resulted in many potential leasing deals getting shot down. To date, out of 75 retail spaces held by the University, only five are tenanted by large national chains.

By all accounts, improvement in the City has been remarkable—some call it a renaissance, with added pedestrian and evening activity lending a sense of security to students and visitors. Furthermore, there is evidence that the University is doing well while doing good: sales in the area run on average at about $450 per s.f. Rents for street-level stores range from the high $20s to $80 per s.f., and second- and lower-level tenants pay about $18 to $20.[127] But University managers say that while they hope to make some money for the University from the properties, their eyes are not fixed only on the bottom line. "We often make decisions for reasons that aren't economic," says John Daigle, a Yale University Properties manager, "We can't severely discount rents because that would hurt other New Haven landlords. But while we charge more or less market rents, we also may spend millions improving the infrastructure."[128]

[126] Ibid.
[127] Ibid.
[128] Ibid.

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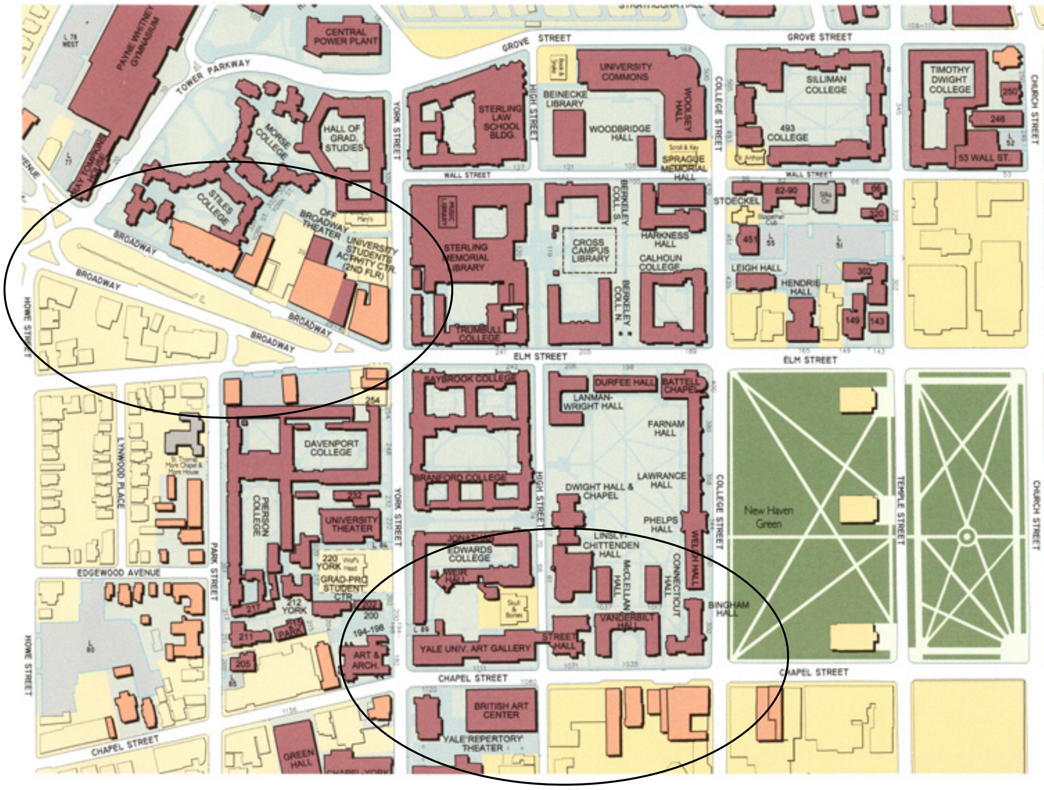
Broadway and Chapel Streets, New Haven CT



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Additional Projects

Other project details that were collected for analysis included those for Mizner Park, an early example of the Place Making model, that was originally a Joint Venture with the developer and the City of Boca Raton, FL and recently acquired by General Growth; and Reston Town Center in Reston, VA, an office dominated project that was sold to Equity Office Properties. Another project, Newhall Land's Valencia Town Center Drive in Valencia, CA is a Main Street style development with more unique tenants leading up to a more traditional enclosed mall with national chain stores. Also examined were The Grove in Los Angeles, CA, which is located next to a historic farmers market, and neighborhood oriented The Promenade at Westlake in Thousand Oaks, CA; both developed by the prominent Lifestyle Center developer Caruso Affiliated. Other projects included Forest City's new Lifestyle/Entertainment Center, Victoria Gardens, in Rancho Cucamonga, CA, and Federal Realty Investment Trust's Santana Row and Bethesda Row, high-end Lifestyle Centers. At Santana Row, a formula of 60% credited tenants and 40% regional and local is used, while in another project examined, Southlake Town Center, that figure is 40% national, 60% local. Management for all of the other projects expressed some commitment to tenanting independent businesses, though no explicit ratio was used. Details for these projects can be found in the Appendix.

Project Indicators Portending Independent Retail Tenancy

Using evidence from the four in depth case studies, supplemented by information from these additional projects and interviews with project developers, managers, brokers and industry professionals, it was revealed that the characteristics of these developers and projects that best indicated the likelihood or viability of tenanting independent businesses were owner characteristics, project financing and economics, and market characteristics. Specifically, owner flexibility, investment horizon, access to capital, and project economics, size, and location all seemed to influence the amount of independent retail incorporated into projects.

Ownership / Management

One major commonality of projects that tended to make significant efforts to tenant independent businesses was that they were more likely to be developed and owned by smaller, private companies or institutions such as universities rather than large private firms or publicly traded REITs. It seems that there is a significant difference between those companies or institutions building one or two time "labors of love," and private developers such as Caruso Affiliated or REITs such as Federal Realty Investment Trust who have taken a successful model and now are seeking to replicate it in dozens of other locales. This enlarged scope is likely resulting in the tendency for these companies to duplicate past efforts and maintain relationships with national retailers that have been established in previous projects. Smaller private developers on the other hand, especially when they are very familiar with the locality, are able to take a more individualized and nuanced approach to project tenanting. "Sometimes what you don't know is your greatest strength," says Linda Berman of Caruso Affiliated.[129]

Another reason for this disparity is that large private or public owners are far more likely to outsource or codify their management and leasing functions in order to free up personnel for the next development project. REIT owners, especially those unfamiliar with retail development such as Reston Town Center's owner, Equity Office Trust, are also far more likely to outsource their management functions. For example, at Reston Town Center a broker from Trammell Crow is handling all retail leasing. External brokers or managers are far less likely to exhibit creative initiative as they receive a commission no matter whom they lease to. In contrast, in-house management and leasing teams are much more knowledgeable about their project and invested in its long term outcome, and thus can be more flexible with their leasing strategies. Another alternative utilized by Yale Properties is to hire an outside broker, but pay them by retainer rather than commission, while passing all of their leasing nominations through an advisory committee. Also, at Valencia Town Center Drive, the interests of managers and owners are aligned because Westfield Corp, the new managers, own a 25% stake in Newhall Land's (recently acquired by Lennar) project. Examples of the innovative strategies undertaken by more entrepreneurial management teams abound in these projects. At Mashpee Commons, for example, every store's sales are monitored on a monthly basis,

[129] Op. Cit., Berman.

small mom-and-pop stores are guided by management, and if they do well are incrementally moved up to larger retail spaces; some tenants have already upsized four or five times.[130] Similarly, Yale has shortened its average lease term to five years (longer for restaurants who make a greater up front capital expenditure) in order to actively manage its real estate and quickly respond in case a business does not live up to expectations or falls under bad management.[131]

Financing / Project Economics

Despite the flexibility in ownership and management afforded by virtue of being a smaller, privately owned firm, project financing can be severely constraining for these developers. Stringent lender requirements for pre-leasing and highly credit rated tenants can tie the hands of all but the most equity rich developers. This has certainly been identified as a major constraint by principals at Continuum Partners, who are developing Belmar,[132] and by several other industry professionals.[133] However, there is evidence that in some cases this may actually be leading to more organic developments because some smaller developers have had to phase their building programs as a result of capital constraints; this has been the case at both Mashpee Commons and University Village.

While REITs are certainly one of the most equity rich players in real estate (Federal Realty was able to finance the entire Santana Row project with private funds), their structure also makes them somewhat inflexible because they are judged by their shareholders, and more importantly, by analysts who are likely to be more familiar evaluating the performance of credited tenants. For example, in 2002, Federal Realty Investment Trust, which had made a huge strategic commitment to the new Urbanism concept and developed projects such as Bethesda and Santana Row, decided to back away from mixed-use projects and instead focus on acquiring and developing neighborhood shopping centers. This was largely a result of increasing pressure of shareholders and analysts who had been critical of the huge investments and slow payback of mixed-use projects.[134]

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130 Op. Cit., Storrs.
131 Resch, Troy, Associate Director, Yale University Properties. Personal Interview.
132 Op. Cit., Gougeon.
133 Op. Cit., Larsen.
134 Mattson-Teig, Beth. "A Tale of two REITs." *Retail Traffic*. June 1, 2002.

In contrast, cities or institutional owners such as universities have the greatest flexibility to calibrate their tenant mixes as they see fit because often these owners are not profit driven, and instead are much more interested in the long term viability and quality of the environments created. Furthermore, universities and cities are also unlikely to ever sell their projects, while private or REIT owners intending to flip their properties are much more likely to tenant predominately national chain retailers as the creditworthiness of these tenants give a property an aura of stability and long term growth is not of concern. Troy Resch of Yale notes that working for University Properties is better than working for a typical developer because there is an attempt to achieve both an economic and a social return. "Yale has more flexibility and a longer term focus, each space is seen as valuable and adding to the district."[135] Other university developments that seem to reinforce this truth are that at Ohio State, the goal is to limit national chains to 35% of the retail space, with most leases going to local and regional retailers. Also, Village Commons, developed by Mount Holyoke College, is a mix of specialty businesses that took time to locate and develop, and now serves as the town's shopping center.[136] Another interesting opportunity that has been witnessed is the forging of a public-private partnership between a developer and a municipality. At Belmar in Lakewood, CO and at Mizner Park in Boca Raton, FL for example, the developers were able to overcome some significant financial obstacles through a partnership with the cities in which they were located.

Market Characteristics

Other predictors of independent retail viability depend partly on the size, location and target market of a project. For smaller projects in less competitive markets with a significant nearby residential population developers will have more flexibility than they will with large projects in high barrier to entry markets with little residential population.

Large projects, simply because of their sheer amount of gross leasable area, will understandably tend toward a predominance of national chain retailers as these operators are likely to occupy far larger spaces than mom-and-pop retailers. In addition, because of management constraints in operating large centers such as these, projects are likely to lack some of the operational flexibility that may be

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135 Op. Cit., Resch.
136 Ripley, Cynthia. "Matriculation Reloaded." *Urban Land Archives.*

required to appeal to small operators. Rigid hours of operation or high common area maintenance fees might deter mom-and-pop shops from locating in these centers.

Some smaller scale projects take the form of rehabilitated urban main streets, which have the benefit of storefronts that are already proportioned for small retailers. Other smaller projects tend to be located in suburban markets which are also lower barrier to entry. Lower land costs and upfront development costs and less immediate competition help to keep rents reasonable and defend market share.

Suburban projects are also more likely to have a captive market in their nearby residential population. This is also true for projects that incorporate a mix of uses on-site. Proximity to this market increases demand for small service oriented operators and restaurants—which are more likely to be owned by small business owners. In addition, because these are repeat customers with good information about neighboring businesses rather than transient visitors looking for a brand that assures quality, they are more likely to patronize otherwise unknown local retailers and especially restaurants. Tom Croonquist of University Village underscored this need for a community base (University Village is surrounded by dense, wealthy residential neighborhoods), and with Santana Row and Bethesda Row, which opened in 1997 and 2002, respectively, Federal Realty's retail strategy was to first establish strong service components within a one-mile radius of the housing.[137]

Besides developments with a strong residential base, those projects that cater to university affiliates find that independent retail is more strongly supported than average because of the anti-establishment bent of this population.[138] The same is true for projects catering to tourists who are seeking a novel experience they can not get at home, such is the case for Mashpee Commons, a summer destination on Cape Cod.

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137 Op. Cit., McLinden.

138 Gumprecht, Blake. "Campus Corners and Aggievilles: The Distinctive Nature of College Town Commercial Districts." Draft manuscript, August 2004, for *The American College Town*. In progress. Under contract to Routledge.

Success Indicators

Lend Project Character / Embraced by the Community

Almost unanimously, developers and real estate industry professionals agreed that independent businesses helped lend character and personality to new retail developments. Director of development at University Village, Tom Croonquist, noted that when the old shopping center on site was redeveloped for the University Village project, a high percentage of the existing local retailers were conserved because they were already successful in that location. He added that "what we've come to appreciate is that these 'local' retailers add significant character to our 'village'… we've found that incorporation of local retailers give a very unique and very strong character to the shopping center experience… [it's] not just another 'cookie cutter' shopping center / mall."[139] Belmar's Project Manager, Tom Gougeon, noted that with independent store owners the service is more genuine, "they get to know customer… [and are] better than even the best national sales force."[140] Many people now think of Mashpee Commons as their community center; significantly, dropping the word Commons and just referring to it as "Mashpee*,"* and this has been a major factor in the project's success.

Retail Success Due to Repeat Visits and Wider Draw

There is also anecdotal evidence that this sense of character and community lent by local retailers is resulting in increased profits for developers. Richard Heapes, a national expert on shopping centers, advised that a high percentage of local tenants is one of the prime reasons for University Village's success: "The shoppers are always impressed with the 'unique' tenant character of the Village... and hence …significant repeat shopping and financial success," says Heapes. The manager of Restoration Hardware noted, "Local merchants and community services give more of a main street ambiance and attract customers for purposes other than shopping for apparel or home furnishings." Even the manager of the University Village Starbucks added, "It clearly benefits us to be located

[139] Op. Cit., Croonquist.
[140] Op. Cit., Gougeon.

near neighborhood services that reinforce multiple visits."[141] These descriptions are supported by project performance, in 1994 average rents at University Village were in the $15-22 range, and have since increased to $45-$70.

Part of this retail success is due to the repeat visits encouraged by community services and a locale with true character; another is that some of these businesses are able to draw from beyond the standard trade area due to their uniqueness. At Yale, a local record store, Cutler Records, was rated top ten by Vanity Fair. The flavor and character of this and other local stores such as an outstanding art supply and a famous shoe store draw people from further away than just the downtown population.[142] Furthermore, Mashpee Commons, with its ability to attract both members from the community and tourists because of its eclectic retail mix, is also succeeding in an overbuilt market where other centers are struggling; sales at Mashpee commons are higher than elsewhere and rents are the highest on Cape Cod.[143] At The Grove, Caruso Affiliated benefited from its adjacency to Los Angeles' venerable Farmers Market, with its old, small, independent retail, which attracts roughly six million visitors annually. As a result, the customer base of The Grove includes an unusual mix of ethnic minorities, hip singles and affluent younger families who join the writers, retirees and tourists who have frequented the spot for generations.[144]

At the same time, developers are quick to point out that national chain tenants also play a crucial role in these developments, making development financing easier to obtain, attracting other national retailers and local merchants, and luring customers.[145] An independent business owner at Yale points out, "we need to have the right nationals that will be familiar to the new students that come in every year… then they can discover the independents once they're shopping here."[146] University Village also noted "a big win-win with the addition of some new nationals because they've drawn significant new retail traffic to the Village that has significantly helped the sales of the existing

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[141] Op. Cit., Kugiya.
[142] Op. Cit., Resch.
[143] Op. Cit., Storrs.
[144] Op. Cit., Kotkin.
[145] Op. Cit., Lee.
[146] Isaacs, John, owner Barrie Ltd. as quoted in Branch, Mark Alden. "Barnes and Noble and Mom and Pop." *Yale Alumni Magazine*. February, 1999.

locals."[147] And at Valencia Town Center, both Town Center Drive with its more local retailers, and the adjoining Town Center Mall with more national chain tenants, are thriving.

[147] Op. Cit., Croonquist.

Chapter 7: Conclusions, Recommendations and Directions for Future Research

Conclusions

Developers today are experimenting with retail projects that differ significantly from the conventional regional mall and strip center formats that dominated the past half century. Incorporation of pedestrian friendly design, public open spaces, locally contextual architecture and residential components are an effort on the part of these developers to create a "place," a center for a community that people are attracted to repeatedly and where they choose to linger.

However, when formula, rigidity and complacency begin to define these projects, what emerge instead are cookie cutter replicas that are the pale imitation of a true place. Some sterilized projects are in danger of becoming no different than outdoor malls, and are unlikely to demonstrate better returns or competitiveness than these in the long run.

While good urban design, programming that encourages around the clock use, and frequent planned social events can go a long way toward creating a sense of place, another important feature is the need to tenant a truly unique mix of retailers: both national chain stores that provide instant brand recognition and confidence, and also local independent businesses or small regional chain retailers and restaurants that lend personality, authenticity and distinctiveness to a project. These businesses will help a community to embrace these projects, make them truly unique and result in a wider market draw.

Despite the challenges involved in tenanting independent retailers, these obstacles have been overcome, especially in cases where there have been flexible owners and managers, long term focus, access to capital and a strong community base. Anecdotal evidence shows that developers of projects where a concerted effort has been made to tenant independent retailers have also realized significant increases in retail sales and rents, customer traffic, and price points of adjacent residential properties.

Recommendations

Given these observations, it is clear that opportunities for innovation exist for lenders, developers and municipalities alike, especially in terms of financing and valuing these projects. In general, a shift in concept is needed away from the traditional formulaic retail paradigms of the past.

One of the principal indications from this analysis is that financing practices must change in order to better recognize the value of mid- and long-term returns generated by Place Making strategies. One alternative that might be more closely investigated by lenders is the time tranche method of lending where streams of revenue can be matched up with different investor return expectations. While demand for mid-to-long term investment returns exists today, currently there is no way of splitting the cash flows from investments in Place Making retail projects so that their payout horizon more closely matches income generation. Another innovation might entail encouraging lenders to use the credit ratings given to small retailers for use in their underwriting analysis instead of relying solely on national credit tenants.

Developers, too, might experiment with scenarios in which some retail spaces can be used as loss leaders in order to ensure greater overall project success. Subsidization of some unique retailers in the short or even long term may prove a worthwhile investment if it could be shown that these retailers serve to attract clientele from a wider market area, help generate more repeat visits, or increase customer time spent in a project. In fact, the entire retail portion of a mixed-use project might be thought of as an anchor in itself for the other residential and office components. Perhaps by focusing on creating the highest project rents overall through synergy and not simply the highest rents for each project component, developers will find that the rent premiums from office and residential properties might more than offset any retail rents lost through allowances for small business owners.

Furthermore, as evidence emerges that these projects are increasing revenue for municipalities, towns should be more apt to adopt policies encouraging such projects. Because financing is a major hurdle, a community might underwrite bond measures to help finance a project that meets its particular desires. It would be in the community's interest to wait for the financial return on investment in order to enjoy more immediate environmental benefits. FAR bonuses or streamlining of the entitlement process for Place Making retail projects is a second alternative. Regulation is also another way that municipalities could approach this end, for example by regulating the size of storefronts in these projects or instituting retail rent control. However, given the already strenuous burdens placed on developers trying to make these projects work, and strong dependence of retail on market viability, these are less desirable alternatives.

Directions for Future Research

Because many of these Place Making retail projects are in their nascency, it is somewhat difficult to quantify many project characteristics and outcomes beyond anecdotal evidence. Some questions for further research might include:

1. Can time studies show that there is greater project return, longevity or flexibility with Place Making retail projects than conventional retail development?

2. Can you prove in a quantifiable way that Place Making projects with independent retail incorporated fare better than Place Making projects with all national chain tenants—for example, through higher retail rents / sales, greater project longevity, higher residential / office rents, etc?

3. What data could be provided to lenders to assure them as to the long term viability of incorporating independent businesses in Place Making retail projects? Could they use small business credit rating data in their analyses of these centers?

4. What are the quantifiable externalities reaped by municipalities as a result of new Place Making centers? (i.e. employment, local spending, rise in home values in the area, increased safety?)

5. Is there an ideal proportion / physical design for incorporating independent retail into these projects?

6. Do independent retailers compete better in mixed-use projects where they benefit from proximity to national retailers or developer expertise / shared incentives?

While significant opportunity exists for further research, preliminary investigations imply that, for projects that do incorporate local independent businesses or small regional chain retailers and restaurants in addition to national chain stores, the benefits to place making are many, and the potential for long-term financial reward is good. This suggests that incorporation of these retailers should be strongly considered by developers of new retail formats. In addition, project leaders would be wise to examine further whether their ownership status, financing requirements or project market characteristics are in fact conducive to creating successful Place Making projects, or whether their initial outlay for design features that only result in a simulacrum of a true "place" are unlikely to return the investment in the long run.

Appendix: Project Details

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PROJECT DETAILS

Basic Information				Market Characteristics				
Name	**Date Completed**	**Type**	**Tenant Mix**	**Location**	**Mix of Uses**	**Retail Size**	**Total Size**	**Site**
Mashpee Commons Mashpee, MA	Phase I renovation in 1988	Lifestyle Center	1/3 local, 1/3 regional, 1/3 national	Suburban / Rural	Retail, Office, Residential (Hotel, Civic and Cultural uses planned)	152,058 s.f. (64 tenants)	265,000 s.f. (25 acres)	Greyfield re-use
University Village Seattle, WA	Renovated in 1993	Town Center	60% local retailers; 40% national chain retailers	Suburban	Retail only	490,000 s.f. (80 tenants)	$490,000 s.f. (33 acres)	Greyfield re-use
Belmar Lakewood, CO	Renovated in 2004	Town Center	15% local retailers; 85% national chain retailers	Suburban	Retail, residential, office	634,000 s.f. (70 tenants)	(153,000 s.f. office, 105 housing units, 800,000 s.f. parking), 100+ acres	Greyfield re-use (Brownfield site)
Yale University Properties New Haven, CT	Re-tenanted after 1998	Traditional Main Street	less than 10% national chain retailers	Urban (University Campus)	Retail, residential and some office	70 tenants	175,000 s.f.	Re-tenanting and some renovation
The Grove Los Angeles, CA	2002	Urban Entertainment Center	Mix of local and national retailers	Urban	Retail Only Next to a historic Farmers Market	575,000 s.f.	575,000 s.f.	Urban infill
The Promenade at Westlake Thousand Oaks, CA	1996	Town Center	Mix of local and national retailers	Suburban	Retail	210,000 s.f.	210,000 s.f.	Greenfield development
Reston Town Center Reston, VA	1991 (Phase I)	Town Center	Mix of local and national retailers	Suburban	Retail, Office, Hotel	200,000 s.f.	1.2 million s.f. (85 acres)	Urban infill
Victoria Gardens Rancho Cucamonga, CA	2004	Lifestyle and Entertainment Center	Mix of local and national retailers	Suburban	Retail, Office, Residential, Civic, Cultural	N/A	1.3 million s.f. (147 acres)	Greenfield development
Valencia Town Center Drive Valencia, CA	2002 Phase I (mall) opened in 1992	New Suburban Main Street (within a Master Planned community)	Mix of local and national retailers	Small Town / New Town	Retail, Residential, Office, Hotel	114,234 s.f. (not including adjacent 790,000 s.f. mall)	700,234 s.f. (not including mall)	Greenfield development
Southlake Town Square Southlake, TX	2001 (Phase II)	Town Center	60% local; 40% national	Suburban	Retail, Office, Civic (Residenital and Hotel uses planned)	257,000 s.f. (89 tenants)	519,000 s.f. (2.5 million s.f. at buildout)	Greenfield development
Santana Row San Jose, CA	1997	Lifestyle Center	40% local; 60% national	Suburban	Residential and Retail (Hotels planned)	555,270 s.f. existing (680,000 s.f. planned buildout)	555,270 s.f. of retail space and restaurants, 1,201 dwelling units, two hotels, and seven parks (42 acres)	Greyfield re-use
Bethesda Row Bethesda, MA	2002	Lifestyle Center	Mix of local and national retailers	Suburban	Retail and Office	230,000 s.f.	512,000 s.f. (5 blocks)	Inner-ring suburban infill
Mizner Park Boca Raton, FL	1991 (Phase I)	Town Center	Mix of local and national retailers	Urban	Retail, Residential, Office, Cultural	235,000 s.f.	235,000 s.f. retail, 272 rental apartments and townhomes, 279,000 s.f. office (28.7 acres)	Greyfield re-use

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PROJECT DETAILS, cont.

	Ownership / Management			Financing / Rent Structure				
Name	**Developer / Owner**	**Other Proj. by Same Developer**	**Retail Leasing Agent**	**Project Financing**	**Avg. Retail Rents**	**Avg. Retail Sales**	**Rent Premium**	**Sales Premium**
Mashpee Commons Mashpee, MA	Private (Mashpee Commons LP)	None	Developers manage all aspects, consult with merchants assoc., advisory body, before making major decisions	Loans- 2 yr construction, 3 yr mini-perm loan from Bank of New England	$25-$35/sf	N/A	$6 -$12/s.f. before renovation, $25 - $35/s.f. today	N/A
University Village Seattle, WA	Private (Stuart Sloan and Matt Griffin)	None	In-house leasing team	Lender financing and private equity	$60/s.f. (prime location)	N/A	Nearby retail rents for $20 - $35/s.f.	Sales jumped from $330/s.f. in 1993 to $550/s.f. in 1998
Belmar Lakewood, CO	Public-Private Partnership (Continuum partners and City)	3 other residential / mixed use projects	In-house leasing team	Lender financed	from <$15/s.f. (local) to $30/s.f. (national)	N/A	N/A	N/A
Yale University Properties New Haven, CT	University (Yale Properties)	None	Outside broker on retainer, board makes all final leasing decisions	University financed	low $30s/s.f.	N/A	Held at market	N/A
The Grove Los Angeles, CA	Private (Caruso Affiliated)	6 existing, 6 planned	In-house leasing team	Lender financing and private equity	N/A	N/A	N/A	N/A
The Promenade at Westlake Thousand Oaks, CA	Private (Caruso Affiliated)	6 existing, 6 planned	In-house leasing team	Lender financing and private equity	N/A	N/A	N/A	N/A
Reston Town Center Reston, VA	Sold by Mobil Land Corp. to REIT (Equity Office)	None	Trammell Crow Broker	Lender financing, financial partners and private equity	N/A	N/A	N/A	N/A
Victoria Gardens Rancho Cucamonga, CA	Partnership between Forest City West (REOC) and Lewis Retail Centers	6 other large mixed-use projects	N/A	Public funding, financial partners & private funds	N/A	N/A	N/A	N/A
Valencia Town Center Drive Valencia, CA	Newhall Land and Farming Company (publicly traded)	One other planned Master Planned community	Westfield Group took over leasing from Urban Retail Properties Co. in February 2005	N/A	$32 - $42/s.f.	N/A	N/A	N/A
Southlake Town Square Southlake, TX	Private (Cooper & Stebbins)	None	In-house leasing team	Lender, private and Tax Increment Financing (TIF)	$22/s.f.	N/A	25-30% (for both retail and office)	N/A
Santana Row San Jose, CA	REIT (Federal Investment Realty Trust)	5 other large mixed-use projects	In-house leasing team	100% private funds (REIT)	$45 - $75/s.f.	$620/s.f.	20% rent premium on rental apartments	N/A
Bethesda Row Bethesda, MA	REIT (Federal Investment Realty Trust)	5 other large mixed-use projects	In-house leasing team	Public funding, financial partners & private funds	$60/s.f.	$400/s.f.	N/A	N/A
Mizner Park Boca Raton, FL	Public-Private Partnership (Boca Raton Community Redevelopment Authority in partnership with Crocker and Company)	None	In-house leasing team	City bond issue to purchase land (then ground leased to developer). TIAA-CREF and commercial lenders financed the commercial and residential components.	$50/s.f.	$545/s.f.	N/A	N/A

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