city of plano

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October 1, 2008

Honorable Mayor and City Council
Planning & Zoning Commission
City of Plano
PO Box 860358
Plano, TX 75086-0358

RE: October 10th Retreat

Dear Mayor Evans, Council Members and Commissioners:

Please find enclosed a workbook, maps, and reports in preparation for our sixth retreat. The retreat will be held on **Friday, October 10th in the Building Inspections Training Room at the Municipal Center, beginning at 12:00 noon**. Lunch will be served.

We have scheduled only two agenda items for the retreat to give you ample time to consider and discuss the topics. First, a panel of local real estate experts will share their perspectives on commercial development trends. The second agenda item will give you an opportunity to explore the characteristics of mixed-use development and its role in Plano's future development.

I look forward to working with you as we explore these important issues. Please do not hesitate to contact me if you have any questions or need more information.

Sincerely,

Phyllis M. Jarrell
Director of Planning

XC: Thomas H. Muehlenbeck, City Manager
Frank F. Turner, Executive Director

2008 **City Council**

Planning & **Zoning** Commission

Retreat

City **of** Plano **Municipal** Center

Building Inspections **Training** Room

October **10,** 2008

2008

Plano **City Council/Planning & Zoning** Commission

Retreat

2

Agenda

12:00 noon -- Lunch

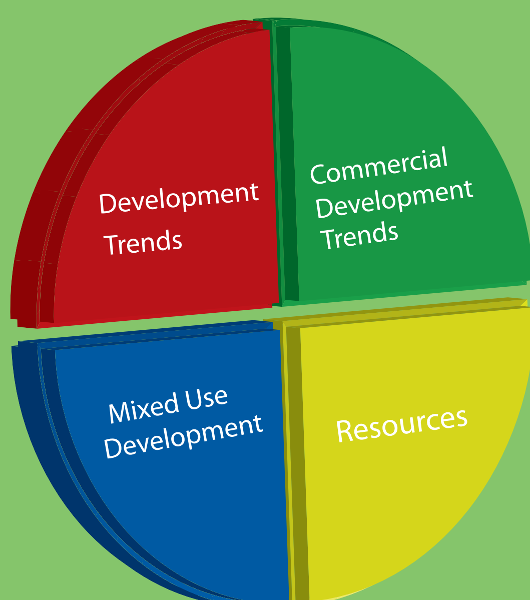
1:00 p.m. -- Panel Discussion on Commercial Real Estate Trends

3:00 p.m. -- Break

3:15 p.m. -- Discussion of Characteristics of Mixed Use Development

5:00 p.m. -- Adjourn

(Times are approximate)



2008
Plano **City Council/Planning & Zoning** Commission Retreat

3

"Why do we have so many banks?"

"Is 'mixed-use' just the latest development buzzword?"

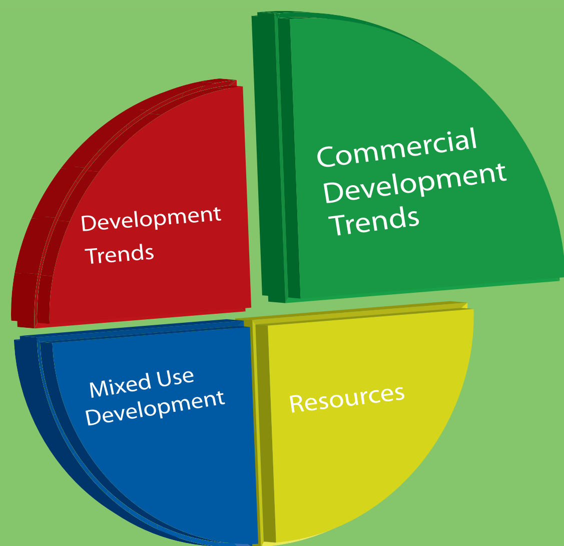
At the sixth annual joint retreat with the City Council and the Planning & Zoning Commission, we will explore these and other development trends that are affecting Plano. As with housing, Plano's opportunities for commercial development and redevelopment are impacted by many different financial, market and demographic forces. In many cases today, developers wish to also combine retail, office and hotel uses with high density housing in mixed-use projects, a development pattern that does not fit neatly with Plano's traditional land use policies and suburban development pattern.

These development trends provide much food for thought, so the retreat will concentrate solely on two agenda items this year. First, a panel of local real estate experts will address the trends affecting commercial real estate and their impact on Plano. The second topic will be an interactive discussion on the characteristics of mixed-use development and its role in Plano's development landscape.

Plano's ability to provide convenient shopping, retain its status as a regional employment center and respond to opportunities for new forms and types of development will greatly influence the city's future. As in past years, the retreat will provide an opportunity to step back and explore trends and issues from a broader context and to focus on their effects on the city.

2008
Plano **City Council/Planning & Zoning** Commission
Retreat

4



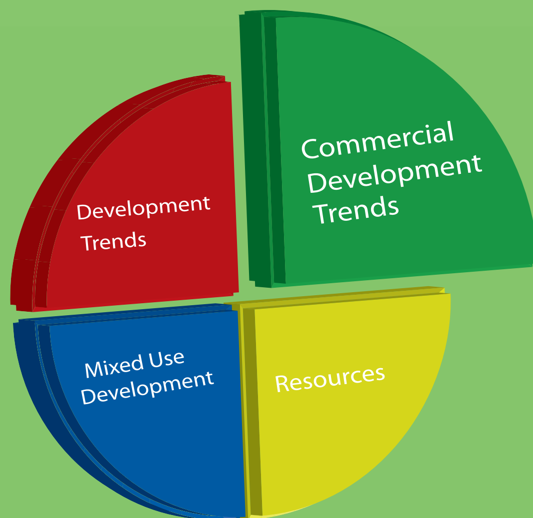
Commercial development is being impacted by financial turmoil, changes in consumption patterns and demographic changes. Anecdotal evidence indicates that it is more difficult now to obtain financing for commercial and multifamily projects. Nationwide, construction of new retail centers and big box stores has declined by 1/3 since January. Consumers now prefer open-air "lifestyle" centers over the traditional enclosed mall. While some grocery store chains continue to build larger stores, others, including Wal-Mart and Tesco, are experimenting with smaller formats. New banks seem to be popping up on every corner.

The Dallas-Fort Worth commercial development sector is subject to these same trends. However, to date the D-FW economy has been stronger in terms of job growth and new construction than most other parts of the country. Retail vacancies are estimated to be 10.8% in the Dallas area; office vacancies are estimated to be 17.6%. Plano's vacancy rates track closely with those of the region: 10% for retail; 16% for office and 15% for industrial space. Plano continues to see substantial new commercial development. In 2007, Plano added approximately 1.5 million square feet of office space. Despite an existing inventory of over 16 million square feet of retail space, developers added 361,500 square feet last year. Plano's retail market share continues to be affected by new development projects in nearby cities such as the Villages at Allen and the Villages at Fairview.

At the retreat, a panel of local development experts will cover the latest trends in commercial development and their impact on Plano.

2008
Plano **City Council/Planning & Zoning** Commission Retreat

5



Issues for Consideration

- New banks have provided a welcome redevelopment opportunity for vacant corner gas stations, but at last count Plano has over 100 bank branches. What is driving this phenomenon? Is it a temporary market trend? Can the community sustain this number of banks over the long term?

- Wal-Mart's domination of the D-FW grocery market continues to test competitors, as Albertson's, Kroger and Tom Thumb fight to maintain market share. The grocery-anchored neighborhood shopping center may become an outdated development model. Continued segmentation of the grocery market will also affect Plano, as Asian and Hispanic oriented markets respond to the city's increasing population diversity and specialty grocers such as Sprouts Farmers Market and Sunflower Farmers Market compete with traditional grocers.

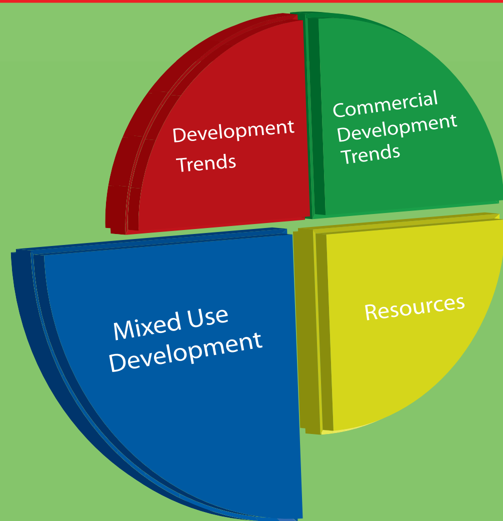
- Technology and telecommuting may transform the form and function of office buildings. The "corporate campus" style of development, with a single-tenant building surrounded by acres of landscaping, may be unsustainable as companies look to cut costs. What will the office building of the future look like?

- With four major hospitals, Plano has become the medical center of the northern Metroplex. Large medical office buildings are typically part of the hospital campuses, and other medical tenants wish to locate nearby. What effect will the continued growth of the health care industry have on Plano's office market?

- Plano and area cities continue to add new retail space, often "cannibalizing" from older shopping centers. What factors are contributing to this shift? Why are older shopping centers failing?

2008
Plano City Council/Planning & Zoning Commission Retreat

6



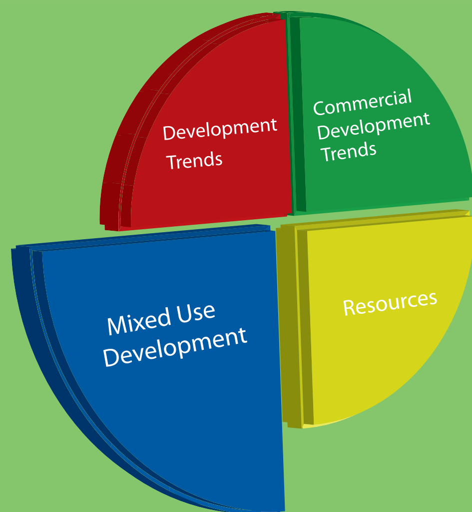
Plano has two nationally known and successful mixed-use developments that have garnered much attention - Legacy Town Center and Downtown Plano. For a developer, mixed-use development represents a way to respond to new retail and residential trends and provide a more diversified product for investors. Mixed-use developments, however, are more complex to design, build and finance. Mixed-use projects allow suburban cities to differentiate themselves from neighboring communities with special, unique places. They can provide additional housing to support the retail and service sectors. Mixed-use is critical for successful transit-oriented development. In cities encouraging redevelopment, allowing a mix of uses may help developers revitalize aging retail centers and underutilized commercial properties.

What role can mixed-use development play in supporting Plano's transition to a mature community with fewer greenfield sites and more redevelopment opportunities? The city adopted the Urban Centers Study in 2006, which outlined the characteristics of mixed-use development and highlighted three locations deemed appropriate for future development of this sort. In response to continued developer interest in mixed-use projects, the Planning & Zoning Commission is in the process of developing a policy statement to supplement the Comprehensive Plan's objectives and strategies development and to provide more direction for decision makers.

Mixed-use development upends many of the commonly held planning and zoning philosophies of the last half century—rigid separation of uses, setbacks, parking requirements, higher densities, etc. While not appropriate in all settings, it can provide a distinctive sense of place, new and different housing opportunities, reduced automobile travel, and offer a more urban environment in a suburban context. It is important that the city continue to refine its direction for mixed-use development.

2008
Plano **City Council/Planning & Zoning** Commission Retreat

7



Issues for Consideration

- While the Urban Centers Study focuses on three areas of the city as appropriate for large urban centers - the intersection of Preston Road and Park Boulevard, the Collin Creek Mall area, and the Parker Road DART Station area - other locations may meet the general criteria for urban center and mixed-use development as well.

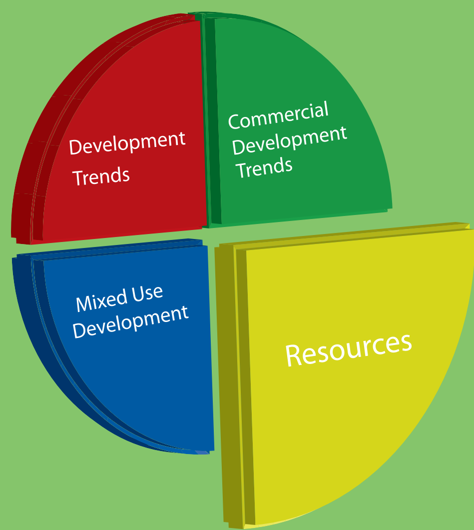
- Apartments are typically a major component of mixed-use development. Legacy Town Center, when complete, will contain over 3,000 units. However, Plano's development policies have traditionally favored limitations on the overall number of apartment units and scattered locations instead of concentration. The major freeway/tollway corridors, which are prime candidates for mixed-use development, have also not been considered appropriate for housing due to noise and isolation from residential neighborhoods, schools, parks and other complementary uses.

- There are important distinctions between "mixed-use" and "multi-use" development. While mixed-use development does not always include vertical integration of uses within buildings, it should feature a tight grid of streets, not be dominated by surface parking lots, and be "walkable."

- Mixed-use developments are subject to the same market and demographic forces as conventional development. The demand for retail, restaurants or other uses must be sufficient to support the development, regardless of the architecture or urban form.

2008
Plano **City Council/Planning & Zoning** Commission Retreat

8



The Urban Land Institute - www.uli.org

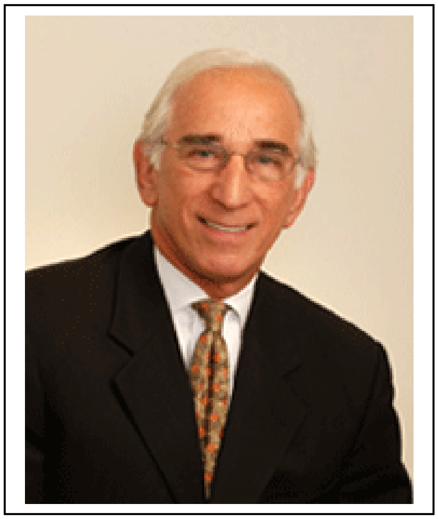
International Council of Shopping Centers - www.iscs.org

Congress for the New Urbanism - www.cnu.org

American Planning Association - www.apa.org

National Association of Industrial and Office Properties - www.naiop.org

SPEAKERS



HERBERT D. WEITZMAN
CEO and Chairman
The Weitzman Group/Cencor Realty Services

Herbert D. Weitzman is Chief Executive Officer and Chairman of The Weitzman Group and Cencor Realty Services. In 1989, after nearly 30 years in the real estate business, Weitzman founded The Weitzman Group, a full-service commercial real estate brokerage firm that now ranks as the largest retail real estate brokerage force in Texas and one of the largest regional commercial real estate firms in the United States. Cencor Realty Services was founded in 1984 as the HDW Group and now ranks among the top shopping center management firms in the United States, according to rankings by the International Council of Shopping Centers.

DAVID R. CUNNINGHAM
Director – Development/Construction
Granite Properties

David R. Cunningham, Director – National Development/ Construction, joined Granite Properties, Inc. in July of 2000 as its Development Partner. Granite is a $2.0B company that owns and manages over 10M SF of Office/Industrial/Retail property located in 4 states. David has responsibility for all real estate development and construction management functions nationally for Granite Properties which has offices located in DFW, Houston, Atlanta and Denver. David is responsible for opportunity and investment identification, underwriting, entitlement, design, and construction for all self developed projects in Granite's portfolio. Granite currently has an active development pipeline of over $300,000,000 and a five year projected development pipeline of over $1,000,000,000. David has over 28 years experience in real estate investment property development,

STEVE BROWN
Business Reporter
Dallas Morning News

Mr. Brown is from Denison, attended Dallas public schools, and obtained a degree in journalism from Southern Methodist University. He has covered the real estate market for the Dallas Morning News since 1980.

FEHMI KARAHAN
President and CEO
The Karahan Companies

Mr. Karahan has been involved in investment and development of commercial real estate more 30 years. Some of the major DFW projects developed by Mr. Karahan are Mac Arthur Crossing in Irving, Corporate Village in Lewisville, Riverchase in Coppell. In the last 10years. Mr.Karahan has been developing Legacy Town Center and The Shops at Legacy in Plano. A native of Istanbul ,Turkey, has been living in Dallas for 30 years .Fehmi Karahan has a BA degree in Business Administration and an MBA in Finance.

THE **WEITZMAN** GROUP

CENCOR REALTY SERVICES

Dallas Fort Worth

DALLAS/FORT WORTH RETAIL MARKET REMAINS IN BALANCE

Strong leasing and demand-based construction ensured that the Dallas/Fort Worth retail market remained in balance during 2007. Based on current activity and economic forecasts, the market should maintain a nearly 90-percent occupancy rate through 2008 and the foreseeable future.

During 2007, the D/FW retail market achieved a record inventory of 166.2 million square feet. The Weitzman Group and Cencor Realty Services survey approximately 1,300 D/FW multi-tenant retail properties with 25,000 square feet or more.

The inventory increased as a result of a strong retail construction market. The majority of the construction was demand-based, and much of it was for large-format "big box" retailers. In fact, one retailer – ***Wal-Mart Supercenter*** – accounted for approximately 25 percent of 2007's construction total.

Demand from new and expanding retailers helped keep D/FW's occupancy at a healthy level on par with 2006. The market also saw strong demand for existing space, including vacant anchor spaces. The lease-up of these vacant spaces keeps occupancy healthy.

As of year-end 2007, D/FW reported an occupancy rate of 89.3 percent, down slightly from 89.6 percent at year-end 2006. The occupancy rate is based on a total D/FW retail market inventory of 166,241,480 square feet.

The occupancy in the Dallas area was 89.2 percent (compared to 89.7 percent at year-end 2006) and is based on total market inventory of 116,073,533 square feet.

The occupancy rate in the Fort Worth area was 89.5 percent (compared to 89.4 percent at year-end 2006) and is based on a total inventory of 50,167,947 square feet.

By center type, the survey reported the following occupancy rates:

- **Neighborhood Centers** – 85.0 percent (86.0 percent at year-end 2006)
  - This category represents smaller, typically unanchored centers. Construction is outpacing demand for this center type.
- **Community Centers** – 89.1 percent (90.1 percent at year-end 2006)
  - This category, typically anchored by a grocery, has stabilized thanks to the increased strength of the grocery market. In addition, the market is seeing expansions from traditional and specialty grocers.
- **Power Centers** – 92.4 percent (93.3 percent at year-end 2006)
  - This category includes the market's "big box" power retailers.
- **Mixed-Use** - 93.6 percent (94.4 percent at year-end 2006)
  - This is the newest center category tracked by Weitzman/Cencor. This category, with retail at its core, typically also features residential and office space, as well as other uses such as hotel or entertainment.
- **Malls** –96.3 percent (92.5 percent at year-end 2006)
  - This category, which includes regional

and super-regional malls, is experiencing its highest occupancy this decade. The category benefits from the strong demand in 2007 for vacant anchor spaces. Many of the new uses were alternative anchors, not department stores. These alternative anchors include entertainment concepts, destination restaurants and category killers.

- The market also benefits from the closure over the past decade of several older, underperforming malls.

The market occupancy remains steady because of strong leasing. In addition, the market did not see any major closures during 2007; during 2006, D/FW saw all of ***Mervyn's*** stores close, as well as 26 ***Albertsons*** and ***Super Saver*** locations. (***Albertsons*** also closed a handful of stores in March 2007.)

Fortunately, D/FW has an excellent track record of re-tenanting vacated big boxes, and many of the vacant ***Mervyn's*** and ***Albertsons*** were backfilled in 2007.

Considering the fact that the construction market has added an average of between 4 million and 5 million square feet each year since 2000, the market's steady occupancy levels are even more impressive.

Strong retailer leasing activity boosts the occupancy rate. New and expanding retailers added locations throughout the D/FW market in 2007. These included:

- ***Wal-Mart***, a general merchandise discounter that is also the No. 1 grocery chain in D/FW, which opened four ***Supercenters*** (each with more than 200,000 square feet) in 2007. ***Supercenters*** opened in **Frisco, Highland Village, McKinney and Midlothian**. ***Wal-Mart*** also opened its smaller ***Neighborhood Market*** concept in **Plano** and a ***Sam's Club*** wholesale club in **McKinney**;
- ***Target***, which opened ***SuperTarget*** stores in **Frisco** and **Grand Prairie** and is under way with additional stores for 2008;
- ***JCPenney***, which opened in 2007 in **Flower Mound**. ***JCPenney*** also is opening a store in **Rockwall** in 2008;
- ***Dick's Sporting Goods***, which opened locations (each with about 55,000 square feet) in **Far North Dallas, Flower Mound, Hurst and Rockwall**;
- ***Belk***, a department store that operates freestanding off-mall locations, which opened in **Flower Mound and Rockwall** and which will open in **North Fort Worth** in 2008.

A significant part of the 2007 retailer expansions involved the backfilling of second-generation space. This type of leasing keeps occupancy strong. Second-generation space was backfilled by:

- ***Dillard's***, which opened a former ***Foley's*** location at **Stonebriar Centre mall** in Frisco;
- ***Cheesecake Factory*** and ***Barnes & Noble***, which took the vacant ***Mervyn's*** store at **Parks at Arlington**, boosting that mall's occupancy past 90%;
- ***Dick's Sporting Goods***, which took the ***Saks*** location at **North East Mall** in Hurst and the closed ***Circuit City*** just north of the **Galleria** in Far North Dallas;
- ***Amazing Jake's***, a large-format entertainment concept, which took the vacant ***Mervyn's*** store at **Collin Creek Mall** in Plano;
- ***Conn's***, which took the former ***Barnes & Noble*** at **Grapevine Towne Center** in Grapevine;
- ***Circuit City*** and ***Staples***, which took the closed ***Target*** by **Golden Triangle Mall** in Denton;
- ***Saigon Market***, which took the closed ***Target*** space at **Oakridge Plaza at Belt Line & Jupiter** in Garland.

Demand for new center space resulted in construction activity that added new centers and expanded existing centers. For 2007, retail construction added 3,845,886 square feet to the market. Construction is down notably from 2006, when new construction added more than 5 million square feet to the D/FW market. The new space in 2007 represents construction, as a percentage of inventory, of only 2.3 percent, one of the lowest levels this decade.

- **Dallas-**area construction was 3.0 million square feet, compared to 4.0 million square feet in 2006.
- **Fort Worth-**area construction was 850,000 square feet, compared to 1 million square feet in 2006.

The top submarkets for construction in 2007 were:

- **Lewisville/Flower Mound**, with 1.1 million square feet;
- **Grand Prairie**, with 640,000 square feet;
- **McKinney**, with 625,000 square feet;
- **Frisco**, with 550,000 square feet.

It's important to note that these four submarkets accounted for the majority of new construction in 2007. All of these submarkets gained a new ***Wal-Mart Supercenter*** or ***SuperTarget***. Some of them gained both.

The major projects opening during 2007 included several projects at the intersection of **FM 407 and FM 2499**, in the **Flower Mound/Highland Village** trade area. The intersection is of special note, as it was the most active retail intersection in D/FW during 2007.

Projects opening at the intersection in 2007 included:

- **Robertson's Creek**, a regional project anchored by ***JCPenney, Belk, Dick's Sporting Goods*** and a host of others;
- **The Marketplace at Highland Village**, which expanded with a ***Wal-Mart Supercenter*** with a host of new features. **The Marketplace at Highland Village's** first phase, which opened in 2006, features ***LA Fitness, Office Depot, T.J.Maxx*** and the first ***T.J.Maxx HomeGoods*** store in D/FW;
- **The Shops at Highland Village**, a lifestyle project, which opened with an ***AMC multiple-screen cinema, Barnes & Noble*** and other lifestyle concepts.

Shops of Southlake *opened its second phase in 2007.*

Other projects of note opening in 2007 include:

- **The Plaza at Rockwall**, a regional project at the intersection of **I-30 and SH-205**. The project is anchored by ***Belk, Dick's Sporting Goods*** and ***Best Buy***, as well as a ***JCPenney***, set to open in 2008;
- **Lake Prairie Towne Crossing**, a regional center at the southeast corner of **SH-360 and Camp Wisdom Road**. The project includes ***SuperTarget, Home Depot, Marshalls*** and others;
- **380 Towne Crossing**, a regional project with ***SuperTarget*** and ***Lowe's*** at the northwest corner of **US-75 and SH-380 (University Drive)** in McKinney. The ***Target*** anchor represents the relocation of another McKinney store, and ***Circuit City*** is opening at the center in 2008;
- **The Shops at Vineyard Village**, a regional project at **SH-121 and Glade Road** in Euless,

which opened its first phase with ***Lowe's*** and ***LA Fitness***. The second phase for 2008 will include ***Ross Dress for Less, Marshalls, Bed, Bath & Beyond, Staples, PETsMART, Shoe Pavilion*** and others;

- **Lowe's**, which opened a new store joined by peripheral multi-tenant retail in the close-in Dallas market at **Lemmon Avenue and Inwood Road**;
- **Mansfield Marketplace**, a center that opened its first phase with ***Kohl's*** department store at **Highway 287 and East Broad Street** in Mansfield.

***Uptown Village at Cedar Hill** - D/FW's newest mall, opens in 2008.*

The market in 2007 also saw several existing centers expand in 2007. These include:

- **Shops of Southlake**, located directly across from Southlake Town Square, which was completed after opening its first wave of retailers in December 2006. Successful specialty grocer ***Central Market*** anchors the 260,000-square-foot center. Other retailers in the lifestyle center include ***Bailey Banks & Biddle, Swoozie's, Kirkland's Home, Coal Vines, Learning Express, Jean Connection, Pier 1, Cherish*** and ***DSW***;
- **Alliance Town Center**, which opened its second phase in 2007 with ***Hobby Lobby*** and ***Cheddar's*** after ***JCPenney*** opened in 2006. In 2008, the center, located at **I-35 W and Heritage Trace Parkway**, will add ***Belk*** and ***Best Buy***;
- **Arlington Highlands**, a regional project at **I-20 and Matlock** in Arlington, which added a second phase in 2007, bringing the center to a total of approximately 635,000 square feet. The center includes ***Bed Bath & Beyond, Conn's, Studio Movie Grill*** and others;

The outlook for retail construction in D/FW calls for approximately 5 million square feet, with the great majority of space in less than five projects. These include:

- **Uptown Village at Cedar Hill**, the D/FW area's newest mall, which is set to open in March 2008 at **FM 1382 and Pleasant Run Road** in Cedar Hill. The open-air mall project includes ***Dillard's, Dick's Sporting Goods*** and ***Barnes & Noble***;
- **Watters Creek**, a mixed-use project at **US-75 and Bethany** in Allen. The project is anchored by specialty grocer ***Market Street*** and includes upscale restaurant ***P.F. Chang's*** and other lifestyle concepts, as well as a mix of uses;
- **The Village at Fairview**, also in the Allen area, a super-regional project under construction at **US-75 and Stacy Road**. ***Dillard's, Macy's, JCPenney, Barnes & Noble*** and the ***Container Store*** anchor the project. The project will also feature the first ***Gold Class Cinema*** in Texas, as well as a hotel and other uses;
- **The Village at Allen**, a project with up to 1 million square feet that is slated to open in late 2008 at **US-75 and Stacy Road**. The project has announced its line-up will include big-box

retailers, specialty shops and restaurants, as well as the 7,500-seat ***Allen Event Center***, up to 500,000 square feet of office space and a ***Courtyard by Marriott***;

- **Park Lane**, a mixed-use, transit-oriented development to include up to 750,000 square feet of retail space. The project is set to open in late 2008 at **Park Lane and US-75**, across from NorthPark Center mall. A flagship ***Whole Foods*** store with 80,000 square feet will anchor the retail portion of the project. Other key concepts include restaurants such as the ***Daily Grill*** and the ***Sports Club/LA***.

Dal-Rich Village *in Richardson, anchored by Whole Foods, completed a major renovation in 2007.*

The D/FW retail market activity is driven in part by the market's strong economy. During 2007, the market saw 30,606 new single-family home starts, down notably from 48,128 starts during 2006. The decline in starts was seen mostly for "starter" homes at lower price points, but 2007 will still rank as one of the 10-strongest years for home starts in D/FW history.

The market, fortunately, is not seeing the price drops that are afflicting the coasts, largely due to the fact that D/FW never saw the double-digit run-up in prices that markets like California and Florida experienced. D/FW home prices are stable, and some reports show that they increased in 2007.

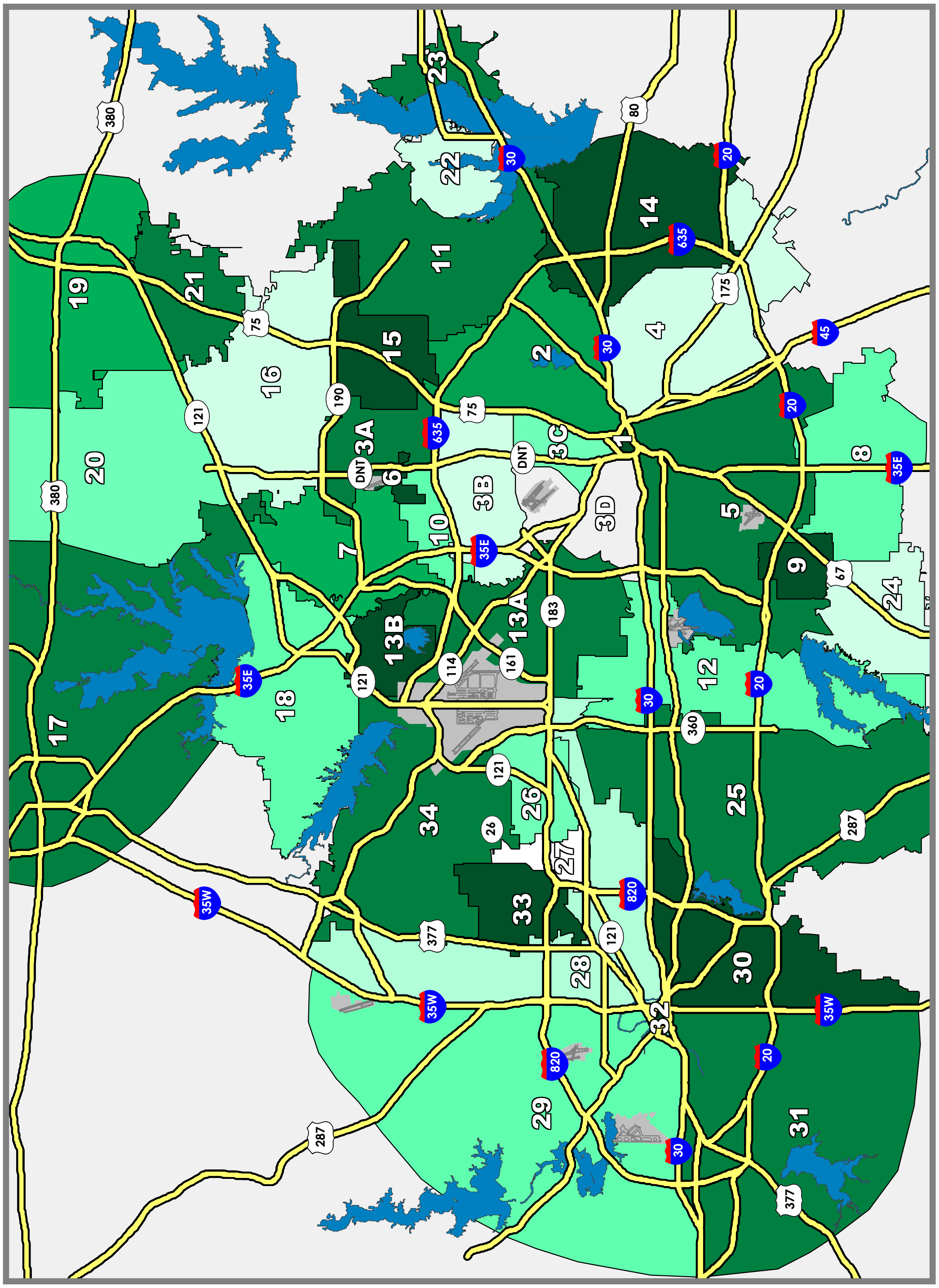
D/FW also recorded job growth of approximately 65,000 net new jobs, making it one of the top job markets in the country.

The 2008 economic forecast calls for strong, steady job growth, population growth and new single-family home starts that will top 2007's level. Therefore, we expect the D/FW retail market to remain balanced in terms of supply and demand through the end of the year and into 2009.

Dallas/Fort Worth Submarket Summary

Sector	Name	YE 2006 GLA	YE 2006 Vacancy	YE 2006 % Vacancy	YE 2007 GLA	2007 Vacancy	YE 2007 % Vacancy
1	Dallas CBD	641,046	148,385	23.15%	641,046	139,865	20.69%
2	Northeast Dallas	7,817,257	948,398	12.13%	7,717,257	927,032	12.01%
3A	Far North Dallas	8,565,184	584,606	6.83%	8,565,184	546,804	6.38%
3B	North Dallas	5,543,996	386,892	6.98%	5,547,163	407,355	7.34%
3C	Park Cities/Oak Lawn	2,861,585	124,905	4.36%	3,027,585	123,288	4.07%
3D	West Dallas	475,833	27,000	5.67%	575,833	99,128	17.21%
4	Southeast Dallas	1,923,123	192,949	10.03%	1,923,123	199,849	10.39%
5	Southwest Dallas	7,149,965	1,203,920	16.84%	7,149,965	1,340,574	18.75%
6	Addison	1,280,542	239,991	18.74%	1,280,542	138,798	10.84%
7	Carrollton	3,128,338	664,355	21.24%	3,128,338	656,333	20.98%
8	Desoto/Lancaster	1,907,002	334,196	17.52%	1,953,002	317,368	16.25%
9	Duncanville	1,375,825	265,504	19.30%	1,440,825	392,500	27.24%
10	Farmers Branch	1,053,850	95,164	9.03%	1,104,350	125,464	11.36%
11	Garland	6,648,733	615,106	9.25%	6,981,766	810,756	11.61%
12	Grand Prairie	2,378,545	314,300	13.21%	3,018,643	316,410	10.48%
13A	Irving	7,849,690	912,374	11.62%	7,871,354	822,984	10.46%
13B	Coppell	818,394	195,167	23.85%	818,394	157,198	19.21%
14	Mesquite/Balch Springs	5,493,745	472,027	8.59%	5,325,745	707,608	13.29%
15	Richardson	4,408,341	614,908	13.95%	3,712,199	709,451	19.11%
16	Plano	15,250,911	1,501,559	9.85%	15,183,750	1,544,928	10.17%
17	Denton	4,302,547	393,331	9.14%	4,554,547	316,748	6.95%
18	Lewisville/Flower Mound	7,917,246	772,755	9.76%	9,111,424	1,060,076	11.63%
19	McKinney	2,608,113	31,800	1.22%	3,229,934	48,000	1.49%
20	Frisco	5,056,938	247,492	4.89%	5,350,985	283,800	5.30%
21	Allen	2,260,222	85,530	3.78%	2,563,222	83,931	3.27%
22	Rowlett	687,584	84,973	12.36%	687,584	143,330	20.85%
23	Rockwall	1,328,578	133,000	10.01%	1,328,578	107,185	8.07%
24	Cedar Hill	2,246,195	28,529	1.27%	2,246,195	24,837	1.11%
	Dallas	**112,979,328**	**11,619,116**	**10.28%**	**116,073,533**	**12,551,600**	**10.81%**
25	Arlington	13,900,512	1,346,405	9.69%	13,403,512	1,393,498	10.40%
26	Bedford/Euless	2,876,831	418,202	14.54%	2,876,831	340,500	11.84%
27	Hurst	3,512,435	474,182	13.50%	3,521,398	408,099	11.59%
28	Northeast Fort Worth	2,497,882	478,882	19.17%	2,748,319	491,632	17.89%
29	Northwest Fort Worth	4,855,922	333,355	6.86%	4,977,743	343,687	6.90%
30	Southeast Fort Worth	1,495,369	303,629	20.30%	1,495,369	260,547	17.42%
31	Southwest Fort Worth	9,091,229	879,381	9.67%	9,516,924	1,016,370	10.68%
32	Fort Worth CBD	354,911	19,932	5.62%	354,911	18,932	5.33%
33	North Richland Hills	3,224,296	620,997	19.26%	3,202,865	513,750	16.04%
34	Northeast Tarrant Co	7,762,325	354,299	4.56%	8,070,075	473,712	5.87%
	Fort Worth	**49,571,712**	**5,229,264**	**10.59%**	**50,167,947**	**5,260,727**	**10.49%**
	Grand Total	**162,551,040**	**16,848,380**	**10.36%**	**166,241,480**	**17,878,927**	**10.71%**

Dallas/Fort Worth Submarket Map



Shopping Center Sectors

- 1 - Dallas CBD
- 2 - Northeast Dallas
- 3A - Far North Dallas
- 3B - North Dallas
- 3C - Park Cities / Oak Lawn
- 3D - West Dallas
- 4 - Southeast Dallas
- 5 - Southwest Dallas
- 6 - Addison
- 7 - Carrollton
- 8 - DeSoto / Lancaster
- 9 - Duncanville
- 10 - Farmers Branch
- 11 - Garland
- 12 - Grand Prairie
- 13A - Irving
- 13B - Coppell
- 14 - Mesquite
- 15 - Richardson
- 16 - Plano
- 17 - Denton / The Colony
- 18 - Lewisville / Flower Mound
- 19 - McKinney
- 20 - Frisco
- 21 - Allen
- 22 - Rowlett
- 23 - Rockwall
- 24 - Cedar Hill
- 25 - Arlington
- 26 - Bedford / Euless
- 27 - Hurst
- 28 - Northeast Fort Worth
- 29 - Northwest Fort Worth
- 30 - Southeast Fort Worth
- 31 - Southwest Fort Worth
- 32 - Fort Worth CBD
- 33 - North Richland Hills
- 34 - Northeast Tarrant County

Dallas/Fort Worth Rental Rates

		Average Rental Rates YE 2007 *		
Sector #	Name	Class A	Class B	Class C
1	Dallas CBD	$30.00	$20.00	$15.00
2	Northeast Dallas	$22.00	$18.00	$10.00
3A	Far North Dallas	$25.00	$18.00	$12.00
3B	North Dallas	$29.00	$20.00	$15.00
3C	Park Cities/Oak Lawn	$30.00	$20.00	$13.00
3D	West Dallas	$14.00	$10.00	$6.00
4	Southeast Dallas	$19.00	$13.00	$7.00
5	Southwest Dallas	$16.00	$9.00	$7.00
6	Addison	$30.00	$19.00	$12.00
7	Carrollton	$17.00	$15.00	$10.00
8	Desoto/Lancaster	$25.00	$15.00	$8.00
9	Duncanville	$20.00	$15.00	$8.00
10	Farmers Branch	$18.00	$11.00	$7.00
11	Garland	$27.00	$16.00	$10.00
12	Grand Prairie	$18.00	$11.00	$6.00
13A	Irving	$27.00	$17.00	$10.00
13B	Coppell	$22.00	$18.00	$10.00
14	Mesquite/Balch Springs	$21.00	$16.00	$8.00
15	Richardson	$22.00	$17.00	$10.00
16	Plano	$24.00	$18.00	$15.00
17	Denton	$29.00	$20.00	$15.00
18	Lewisville/Flower Mound	$28.00	$18.00	$14.00
19	McKinney	$28.00	$18.00	$14.00
20	Frisco	$30.00	$20.00	$18.00
21	Allen	$32.00	$20.00	$18.00
22	Rowlett	$27.00	$19.00	$11.00
23	Rockwall	$26.00	$17.00	$11.00
24	Cedar Hill	$25.00	$15.00	$10.00
	Dallas Average	**$24.32**	**$16.54**	**$11.07**
25	Arlington	$24.00	$16.00	$9.00
26	Bedford/Euless	$19.00	$11.00	$7.00
27	Hurst	$21.00	$11.00	$7.00
28	Northeast Fort Worth	$17.00	$10.00	$6.00
29	Northwest Fort Worth	$22.00	$12.00	$8.00
30	Southeast Fort Worth	$25.00	$16.00	$7.00
31	Southwest Fort Worth	$24.00	$15.00	$9.00
32	Fort Worth CBD	$22.00	$18.00	$16.00
33	North Richland Hills	$22.00	$15.00	$7.00
34	Northeast Tarrant County	$30.00	$22.00	$15.00
	Fort Worth Average	**$22.60**	**$14.60**	**$9.10**
	D/FW Average	**$23.87**	**$16.02**	**$10.55**

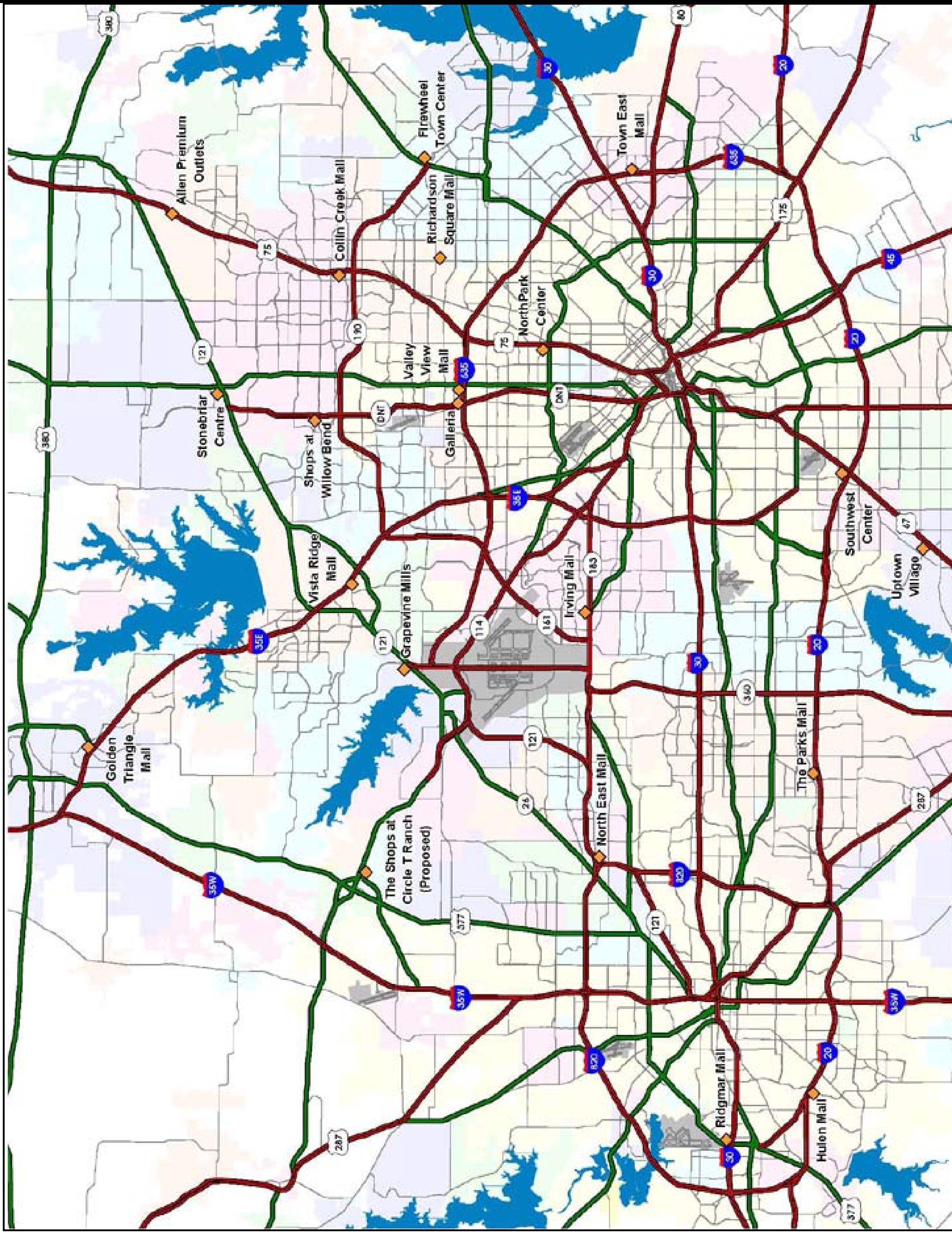
* Average per square foot per year, based on asking rates.

Dallas/Fort Worth Absorption & Construction

Sector	Name	2007 Absorption	2007 Absorption %	2007 Construction*
1	Dallas CBD	8,520	5.74%	
2	Northeast Dallas	-78,634	-9.27%	
3A	Far North Dallas	37,802	6.47%	
3B	North Dallas	4,537	1.10%	
3C	Park Cities/Oak Lawn	167,617	57.62%	166,000
3D	West Dallas	27,872	21.95%	100,000
4	Southeast Dallas	-6,900	-3.58%	
5	Southwest Dallas	-136,654	-11.35%	
6	Addison	101,193	42.17%	
7	Carrollton	1,966	0.30%	
8	Desoto/Lancaster	31,828	9.11%	15,000
9	Duncanville	-61,996	18.76%	65,000
10	Farmers Branch	13,700	9.84%	
11	Garland	-180,200	-28.58%	
12	Grand Prairie	637,988	66.85%	640,098
13A	Irving	89,497	9.81%	107
13B	Coppell	37,969	19.45%	
14	Mesquite/Balch Springs	-403,581	132.75%	
15	Richardson	-94,543	-15.38%	
16	Plano	43,381	2.73%	
17	Denton	328,583	50.92%	252,000
18	Lewisville/Flower Mound	758,630	41.71%	825,951
19	McKinney	598,733	92.58%	614,933
20	Frisco	257,739	47.59%	294,047
21	Allen	54,599	39.41%	25,000
22	Rowlett	-58,357	-68.68%	
23	Rockwall	65,078	37.78%	
24	Cedar Hill	3,692	12.94%	
	Dallas	**2,250,059**	**15.20%**	**2,998,136**
25	Arlington	292,063	17.33%	525,000
26	Bedford/Euless	77,702	18.58%	
27	Hurst	66,082	13.94%	
28	Northeast Fort Worth	139,647	22.12%	70,000
29	Northwest Fort Worth	87,140	20.23%	
30	Southeast Fort Worth	43,082	14.19%	
31	Southwest Fort Worth	-154,157	-17.88%	
32	Fort Worth CBD	1,000	5.02%	
33	North Richland Hills	34,007	6.21%	
34	Northeast Tarrant Co	188,337	28.45%	252,750
	Fort Worth	**774,903**	**12.84%**	**847,750**
	Grand Total	**3,024,962**	**15.40%**	**3,845,886**

* Centers with 25,000 square feet or more

Dallas/Fort Worth Major Mall Map



COMMERCIAL REAL ESTATE

Mall Glut to Clog Market for Years

Scarce Shoppers, Lack of Tenants Ding Developers

By KRIS HUDSON and ANN ZIMMERMAN

September 10, 2008; Page B1

Shopping-mall owners have struggled this year with a darkening economy, slowing consumer spending and store closings by retailers. But they face another problem that may persist long after the economy bounces back: a decade of overbuilding.

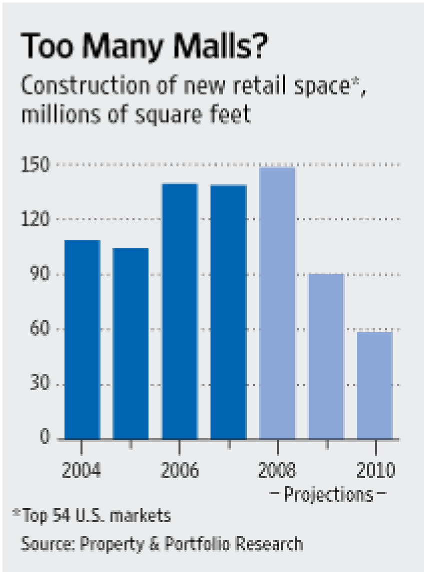
Developers have built one billion square feet of retail space in the 54 largest U.S. markets since the start of 2000, 25% more than what they built during the same period of the 1990s, according to Property & Portfolio Research Inc. of Boston. U.S. retail space now amounts to 38 square feet for every person in those 54 markets, up from 29 square feet in 1983, the firm says.

Photo: Brian Harkin for the Wall Street Journal - This mall in North Dallas is competing with two others nearby for tenants.

Consider a six-mile stretch of highway north of Dallas, where three developers are racing to finish four huge shopping centers with a combined three million square feet of space. Not only will they compete with each other, but there are three existing malls within a 10-mile radius.

"There just aren't enough tenants to go around for three projects," concedes Gar Herring, president of shopping center developer MGHerring Group of Dallas, which is building the largest of the centers.

Similar scenes are playing out across the country. DeBartolo Development indefinitely postponed construction of 700,000 square feet of retail space in Mesa, Ariz., due to weak demand. Green Street Advisors, a real-estate research firm, says 13 strip shopping centers under development have been canceled this year and 90 others have been delayed by the seven shopping-center developers it monitors.



Of course, retail landlords struggle and store vacancies rise in every economic downturn. But this time, experts say, the overbuilding means that high occupancy rates at malls and strip centers may not return for years.

For retailers, the glut can have an upside: cheaper rents, shorter lease terms and fatter allowances from landlords for outfitting stores. This year, the rents in new lease signings are 10.4% lower on average than the asking price, down from the 9.3% discount of two years ago, says market researcher Reis Inc. of New York.

Shopping-center owners with a hefty focus on development, including Regency Centers Corp. of Jacksonville, Fla., and Weingarten Realty Investors of Houston, are compensating for the construction slowdown by trying to raise rents and sell older centers. Others, such as Kimco Realty Corp. of New Hyde Park, N.Y., have shifted much of their development abroad. Brian Smith, Regency's chief investment officer, said the real-estate investment trust has canceled some development projects, continued more cautiously with others and turned partly to upgrading existing centers. Regency's second-quarter profit was off 25%.

David Simon, chairman and chief executive of Simon Property Group Inc., the largest U.S. mall owner with 323 malls, sees "a decade of little new development" and a shakeout. "There were a lot of projects that shouldn't have been built" in recent years, he said.

Some big retailers are curtailing expansion and closing stores. For the first time since the 1990-91 recession, occupied retail space in major U.S. markets is expected to decline this year, falling by 1.2 million square feet, projects Property & Portfolio Research. Last year, occupied space grew nearly 61 million square feet, the firm says. Retailers that helped drive the building boom -- Wal-Mart Stores Inc., Home Depot Inc. and Starbucks Corp. among them -- have nearly saturated the U.S. Earlier this year, Home Depot said it would close 15 unprofitable stores and cancel 50 proposed ones, throttling back its store-growth ambitions to a meager 1.5% a year.

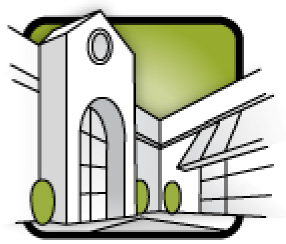
The building boom in north Dallas demonstrates how retail development went overboard. In 2004, when the Herring family began planning two million square feet of shops in two adjacent projects, the area was among the country's fastest growing, with houses sprouting by the thousands in Allen, McKinney and Plano.

Three miles south, Trademark Property Co., of Fort Worth, Texas, broke ground in 2006 on a 500,000-square-foot, $200 million shopping center named Watters Creek. Trademark nabbed Cheesecake Factory Inc., Chico's FAS Inc., AnnTaylor Corp. and a gourmet grocer, among others.

The Herrings landed their own big-name retailers, beating out General Growth Properties Inc., which had announced plans for a mall three miles north. After the Herrings cut a deal with a Foley's department store and Dillard's Inc., General Growth surrendered, recently listing its site for sale. The Herrings' big-box shopping center is slated to open next month and their open-air mall next August. But together, the projects are only 60% leased, based on figures the company provided.

It's unclear how another competitor that emerged near the General Growth site will fare. O&S Holdings LLC of Beverly Hills, Calif., intends to build a mixed-use complex including 600,000 square feet of retail. "I feel confident in our location," says Chris Shane, a vice president at O&S. But he said four projects may prove too many. "One project has to give," Mr. Shane said.

SCT Newswire Featured Story



The U.S. retail real estate industry is slashing its new retail building and additions in 2008. While there will always be some “new” supply even as some of the “old” retail stock is retired or replaced, the rate of new space or supply that is being generated in 2008 is down sharply from previous years, according to the latest data from McGraw-Hill Construction through July.

Between January through July of this year, all retail subclasses tracked by McGraw-Hill Construction slowed markedly by more than a third (down 37.4 percent from last year) compared with similar periods during prior years. The only retail property category that is still seeing impressive growth is freestanding drug stores, which are showing an 18.5 percent faster rate of expansion in 2008 than in 2007. Supermarkets are trying to hold their own with a 0.9 percent increase in new square footage in 2008. Not surprisingly, those two categories represent consumer spending staples. Retail in mixed-use properties is down more than 40 percent in 2008.

Regionally, the Midwest has taken the biggest hit in 2008 with all retail space slashed 45 percent from 2007’s pace. The Northeast was off the least (down 23.2 percent from last year), while the reduction in the space additions in the South and West each moved in lock-step with the nation.

By project count, McGraw Hill recorded nearly 3,700 retail properties in 2008 so far that either are being built or are part of an existing property that is being expanded. This includes 19 mall properties, 74 community centers and 223 neighborhood centers.

Although big-box additions still account for the lion’s share of the new supply, that portion dropped to 28.9 percent between January and July in 2008—lower than the 31.6 percent reported during the same period last year and much lower than the 40.2 percent share reported during the same period in 2005. In lieu of that supply, the supermarket share rose to 6.4 percent in 2008 from 4.8 percent in 2007; drug stores rose to a high of 4.6 percent from a much lower share of 2.9 percent in the prior year.

Modest share gains were scattered throughout most of the other categories in 2008.
“Although these data give only a sketchy picture of the retail supply story, the message is clear. Retail space continues to expand—even in 2008—but the rate of new space being added has been pared dramatically,” said Michael P. Niemira, ICSC’s chief economist and director of research. “Moreover, most retail segments have been touched by the commercial real estate slowdown.”

Friday, August 15, 2008

Big banks back down on branch build-outs

New offices still sprout in D-FW, but at a slower rate

Dallas Business Journal - by Chad Eric Watt Staff writer

Some of the most aggressive builders of new bank branches are throttling bank on their expansion across Texas and Dallas-Fort Worth.

In the past five years, big national banks have led a bank branch build-out in Texas that has produced on average more than 380 new banks a year in the state.

Through July, banks have opened 122 new branches statewide this year. That puts the industry on pace to open just more than 200 for the full year, and although banks tend to open more new offices in the fall than the spring, it's unlikely the total will come near the 400 mark for a fifth consecutive year.

For the past three years, **Wachovia Bank** has set the pace for the big-bank pack, adding 50 branches a year statewide for three years beginning when it arrived in Texas in 2004. That deployment was necessary to compete with megabanks already established in the state.

"We were invisible when we first got here," said Wachovia spokesman Joe Stroop. "The goal was to make the bank relevant to customers."

At the end of July, Wachovia had 226 bank offices statewide and 82 in Dallas-Fort Worth — one of the 10 largest bank branch networks in the state. By the end of the year, it aims to have 242 offices statewide and 88 in Dallas-Fort Worth.

Relevance is a thing that Wachovia scores, and its expansion thus far has paid dividends for its Texas operation.

Changes at the top

But now, future expansion plans are up in the air, as Wachovia works to absorb losses related to mortgage loans in California. Wachovia named Bob Steele its new CEO in July to replace Ken Thompson who departed in June.

Given those challenges and changes, Wachovia's plans are being adjusted. "They may well slow down in 2009," Stroop said.

Wachovia's not the only bank to slow down.

Citibank, where Vikram Pandit replaced Charles Prince as CEO in December, has opened no new Texas branches in 2008. That's down from 24 new branches total in the two years prior.

Convenience and cost

Big banks such as Wachovia, **JPMorgan Chase & Co.** and **Bank of America** use large branch networks to attract consumers to their convenience, and then use consumer deposits to keep their cost of money low. Banks then make most of their money via lending out funds at a higher cost.

That has several large institutions planning to keep their expansion pace steady.

JPMorgan Chase & Co., the market-share leader of deposits in Dallas-Fort Worth and Texas, plans to continue its current expansion pace, which is already pretty quick for a market leader.

Chase opened 35 new branches statewide last year and aims to open 37 in 2008, spokesman Greg Hassell said. By year's end, Chase plans to have 482 banks in Texas and 177 in Dallas-Fort Worth.

"The economic environment is challenging, but Chase is investing in the communities we serve," he said.

Capital One Bank, the banking arm of **Capital One Financial Corp.** considers Texas its fastest growing market and plans to continue its current pace. It has opened about 50 new offices across Texas in the past two years. Currently, Capital One has 41 D-FW bank branches and 166 statewide. It has opened three this year thus far in D-FW.

"At the end of 2008, it's very consistent with what we did last year," said Ricky Otey, Texas president and head of branch banking.

Texas remains one of the most appealing places to do business for Capital One, but the slowdown in the economy and the real estate market is noticeable, Otey said.

"The activity is different now;, real estate challenges affect our sectors and other sectors," he said. "Everybody is just being very selective — taking more time to make sure the decisions match their long-term goals."

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Branching out: the internet was supposed to spell the decline of brick-and-mortar bank branches. Instead, outlets seem to be popping up on every corner.

Article from:

Los Angeles Business Journal

Article date:

December 17, 2007

Author:

Fine, Howard

More results for:

Bank on every corner

It turns out, reports of the demise of retail branch banking have been greatly exaggerated.

Not so long ago, bank branches were expected to become an endangered species as banks consolidated and moved services online.

Instead, the opposite has happened: Over the last five years banks have opened up scores of new branches in L.A., adding staff and boosting services in a fight to retain and expand their customer base.

Indeed, the total number of retail bank branches countywide has grown nearly 10 percent over the last five years to more than 1,700, its highest level since 1994, according to figures from the Federal Deposit Insurance Corp.

"Everybody had these theories that the brick-and-mortar branch would disappear. But people still want to go to their local branch, and if you want to be a successful retail banking operation, you've got to focus on the branch," said Wade Francis, president of Unicon Financial Services, a Long Beach-based banking consultancy.

The growth in L.A. bank branches is part of a larger development that has seen a reversal of the cost-cutting moves of the 1990s. In fact, the total number of bank branches nationwide grew 9.7 percent between 2003 and 2007, virtually the same rate as L.A. County's 9.6 percent.

Retail banking executives, consultants and analysts point to several reasons for this growth in branches:

* As the major banks consolidated and shed branches in the 1990s, smaller community banks formed and began taking away many of their best customers, ultimately forcing the major banks to put more resources into branch operations;

* Opening up branches serves the huge numbers of fast-growing small businesses that have formed over the last several years;

* As ethnic communities--particularly Asians and Hispanics--have grown more affluent, banks have rushed in to pick up new customers; and

* There's a growing realization that online banking wasn't replacing traditional bank branch visits but instead was complementing them.

"People began doing more banking than ever before, choosing to access us more frequently, using whatever means they have available--and that means they want more convenient and better service," said Brad Dinsmore, west division executive with Bank of America Corp.

The Charlotte, N.C.-based bank has opened 13 L.A. County branches in the last five years and plans eight more for next year, bringing its total to more than 260. The bank is spending more than $100 million on these branch openings and on upgrading scores of existing branches in the county.

Branch closings

One of Bank of America's main competitors, San Francisco-based Wells Fargo & Co., has been even more aggressive with 38 branch openings in L.A. County over the past five years. Wells' Regional President Shelley Freeman said the banking giant has added more than 2,000 loan production officers, financial consultants and business hankers over the past five years in L.A. County, more than doubling the size of the sales force. That figure doesn't even include bank tellers.

What's more, many of the branches are growing larger in size, reversing a decades-long trend of shrinking branches. For example, once-small supermarket branches have now turned into full-fledged banking centers. All this has been supplemented by ever-expanding online, phone and automated teller machine operations. "What customers have shown us is that they want to do their banking anytime, anywhere," Freeman said.

That attitude also explains why many banks have extended their branch hours, often until 6 p.m. or 7 p.m. on weeknights and longer into the afternoon on Saturdays. Some have even added Sunday hours.

The online banking phenomenon that was supposed to herald the end of the retail branch was not the first time the days of the bank branch were said to be numbered. A quarter century ago, shortly after the automated teller machine debuted, the prevailing industry thinking was that ATMs would eventually push aside branch banking and save banks lots of money in staff and office operating costs. A few years later, the same thinking permeated the advent of phone-based banking.

But things didn't turn out that way, in part because complex transactions and loan applications still needed to be completed inside the branch offices.

Instead, the pressure on bank branches came from an unexpected quarter: wave after wave of bank mergers and consolidations. Locally, Bank of America bought L.A.-based Security Pacific Bank, Wells Fargo bought First Interstate Bank and Washington Mutual Bank acquired Glendale Federal Bank and Coast Federal Savings. As each merger took place, branches in close proximity were closed.

Adding to the downsizing pressure in L.A. was the deep regional recession of the early 1990s. As aerospace companies and their subcontractors scaled back or disappeared, the much-coveted middle class bank account holders went with them.

By 1999. the number of bank branches in L.A. County hit its nadir of 1,500, a drop of 13 percent from 1994 levels. "So many old bank branch buildings were vacant and snapped up for other uses," said Kevin Klowden, managing economist with the Milken Institute in Santa Monica.

At the same time came the advent of online banking, which was expected to deliver the "coup de grace" to the bank branch as more and more transactions would migrate online.

On the upswing

But then came the dot-com bust and the simultaneous realization by bank executives that not all transactions would migrate to the virtual world. Customers were taking to online bill paying and account monitoring in droves. but for anything more complex, they still wanted the personal touch one can only get inside a bank branch.

"Around the time of the dot-com bust, banks concluded that traditional branches were still important," said David Choi, assistant professor of entrepreneurship and management at Loyola Marymount University in Westchester.

Small community-based banks came to this realization first, sensing a void in customer service as big banks had scaled back their presence. For example, Choi noted, First Republic Bank advertised that its personal bankers could be reached on weekends for the busy entrepreneur needing to complete a transaction.

But these new banks only had a limited number of branches. As the economy rebounded from the twin shocks of the dot-com bust and the Sept. 11 terrorist attacks, L.A. was still underserved with bank branches.

So while Wells Fargo and Bank of America were busy expanding their local branch networks, other banks outside L.A. plunged into the region in the last couple years, drawn by the lucrative marketplace that had been underserved.

Making a big splash has been Wachovia Corp., also based in Charlotte, N.C. Last year, Wachovia purchased Oakland-based World Savings and has been busy converting the 15 World Savings branches in L.A. County to the Wachovia name. By the end of this year, Wachovia also expects to have opened 10 new branches, known in the industry as "de novo" branches.

"California is by far the biggest banking market in the nation and L.A. is the biggest market in California. There's more market potential in L.A. County alone than in the five entire states I used to manage," said George Swygert, retail bank executive with Wachovia. "The big question in my mind is why it took us so long to get to California. Now that we're here, it's a huge opportunity for market growth."

Another mid-sized bank drawn to the Southern California market has been Comerica Bank, a subsidiary of Dallas-based Comerica Inc., which has opened up eight branches in the last five years, more than doubling its L.A. presence.

For Comerica, which established its reputation as a business-focused bank, the draw of Southern California has been the huge number of small businesses that have formed over the last 15 years.

"The number of small businesses has grown so rapidly that there simply weren't enough banks to service them and that has created a tremendous opportunity for us," said Betty Rentifo Tucker, executive vice president of the Western market for Comerica.

The bank's strategy has been to open "high visibility banking centers in high visibility locations," Tucker said. These include a new regional headquarters in the just-completed 2000 Avenue of the Stars building in Century City, home to one of the largest concentrations of professional firms on the West Coast.

As part of the effort to offer better service to customers, banks also have begun experimenting with layouts. Some banks have replaced the traditional "teller wall" with kiosks, while others have employees whose job it is to steer entering customers to the appropriate section of a branch. And, in many areas, bilingual or even multi-lingual tellers and bankers are common.

"What we've found from our customers is that the better service we provide, the more our customers are likely to deepen their relationships with us," said Dinsmore, the Bank of America executive.

Some banks have taken things a step further. To speed up the teller line, at many Washington Mutual branches customers no longer get cash from the teller; instead, they go to separate cash dispensing stations.

Even overseas banks have been drawn to the region. BBVA Bancomer USA, the California-based unit of Mexican bank Grupo Financiero BBVA Bancomer, has recently upgraded 11 remittance centers in L.A. County into full-service banks.

The move is part of a strategy to penetrate a region with one of the largest Hispanic populations in the world. The Mexican bank is itself a subsidiary of Bilbao, Spain-based banking giant Banco Bilbao Vizcaya Argentaria S.A.

"It was a small purchase, and the main reason was so that we could obtain a California banking license to open up more full-service branches. We are trying to become the dominant Hispanic bank in Los Angeles," said Manuel Orozco, president and chief executive of BBVA Bancomer USA.

Cautionary note

The Mexican subsidiary first decided to enter the Southern California market in 2004 with the purchase of Moreno Valley-based Valley Bank, which had four branches. BBVA Bancomer has also opened five de-novo branches in L.A. County in the last two years.

But Orozco said there were no immediate plans to add to BBVA Bancomer's presence in L.A. "Right now, we need a little time to digest the recent upgrades and branch start-ups. We're focusing more now on testing new products and services for our customers."

BBVA Bancomer's recent caution is expected to spread throughout the banking industry over the next year or so, putting an end to the rapid branch expansion of the last several years. The housing bust and resulting credit crunch along with what appears to be a pullback in consumer spending are expected to take their toll on banks' balance sheets, leaving less room for expansion in the region.

Besides, with so many branches added in recent years, many areas are now well served. "There will always be some neighborhoods that can use more branches, but the overall percentage growth in branches is going to drop," said Klowden of the Milken Institute.

Miles of Aisles for Milk? Not Here

New York Times By ANDREW MARTIN
Published: September 9, 2008

HARMAR TOWNSHIP, Pa. — Like cars and homes, grocery stores are beginning to shrink.

After years of building bigger stores — many larger than a football field and carrying 60,000 items — retailers are experimenting with radically smaller grocery stores that emphasize prepared meals, fresh produce and grab-and-go drinks.

The idea is to lure time-starved shoppers who want to pick up a few items or a fast meal without wandering long grocery aisles or paying restaurant prices.

Safeway has opened a smaller-format store in Southern California, and Jewel-Osco is building one in Chicago. Wal-Mart plans to open four “Marketside” stores in the Phoenix area this fall, and Whole Foods Market is considering opening smaller stores.

And here in the northern suburbs of Pittsburgh, the grocery chain Giant Eagle opened a Giant Eagle Express last year that is about one-sixth the size of its regular stores. It has gas pumps, wireless Internet and flat-screen televisions in a small cafe, a drive-through pharmacy and an expansive delicatessen that offers sushi, rotisserie chickens and ready-to-heat dinners.

“It’s perfect,” said Dusty McDonald, a 29-year-old bank teller who was buying breakfast sandwiches recently for her co-workers at the Giant Eagle Express. “It’s on my way to work. It only takes me 10 minutes to get in and out.”

The opening of smaller stores upends a long-running trend in the grocery business: building ever-larger stores in the belief that consumers want choice above all. While the largest traditional grocery stores tend to be about 85,000 square feet, some cavernous warehouse-style stores and supercenters are two or three times that size.

Statistics compiled by the Food Marketing Institute show that the average size of a grocery store dipped slightly in 2007 — to a median of 47,500 square feet — after 20 years of steady growth.

The biggest push in such stores is coming from the British retailer Tesco, which made a splashy entry into the United States last fall, opening a 10,000-square-foot Fresh & Easy Neighborhood Market in Las Vegas.

Since then, Tesco has opened 72 stores in Nevada, Arizona and Southern California.

Gary Smith, founder of Encore Associates, which advises the food and consumer goods industry, said the smaller stores opened by other chains were “a loud message to Tesco that they are not going to be able to walk in and grab market share.”

Mr. Smith added: “It’s also a way for them to do some testing for if and when Tesco comes to their market. They are better able to counter it.”

Besides Tesco, grocery retailers face competition on multiple fronts. Chains ranging from Target to CVS to dollar stores are selling more groceries, and some small convenience stores — long the domain of warmed-over hot dogs and microwave burritos — are offering higher-quality food.

The big grocery chains are not thinking about closing their larger stores, which have been a success. But they hope to capture new business with the smaller stores, appealing to consumers on days when they do not have time for a long shopping trip.

“The average person goes shopping for 22 minutes,” said Phil Lempert, who edits Supermarketguru.com, a Web site that tracks retail trends. “You can’t see 30,000 or 40,000 products. We are moving into an era when people want less assortment.”

Jim Hertel, managing partner at the firm Willard Bishop, which advises supermarkets, added, “If you’ve got 50 feet of ketchup and what you want is Hunt’s 64-ounce and you can’t find it, people get overwhelmed.”

Of course, small grocery stores have been around forever, and some old-time neighborhood markets still exist. Meanwhile, a handful of specialty retailers have proved that shoppers will flock to smaller stores if they are offered a novel experience.

Trader Joe’s, for one, has thrived by offering a limited selection of high-quality, relatively inexpensive products in quirky stores that are 15,000 square feet or less. Aldi and Save-A-Lot are drawing customers in droves by selling a limited assortment of aggressively discounted products.

What distinguishes the new stores is that they are being built by more traditional retailers, and they emphasize fresh, prepared foods for busy consumers.

Kevin Srigley, a senior vice president at Giant Eagle, whose stores are spread across western Pennsylvania, Ohio, West Virginia and Maryland, said the express store seeks to provide customers with a “smart stop to save you time on the things you need most,” in addition to offering fresh foods.

He said the idea for the express store came from Tesco stores in Europe — his company has a longstanding relationship with the British retailer — and from research that detailed the varying needs of consumers.

Mr. Srigley said he was pleased with many aspects of the company’s first Giant Eagle Express store, in Harmar Township, like customer reaction to the prepared foods and baked goods. But since the store was meant as a laboratory, he said, Giant Eagle may tweak the concept before opening more of them.

Will customers come to the smaller stores? Analysts said that Tesco’s initial sales fell short of expectations and the company stopped opening new ones for several months this year to assess customer feedback and make adjustments.

Still, a Tesco spokesman, Brendan Wonnacott, said that the company was pleased with the stores’ results and that the number of customers and sales were increasing.

“This is a format we are excited about, that our customers are excited about,” he said.

The Fresh & Easy Neighborhood Market in Laguna Hills, Calif., offers row after row of bagged produce and its own line of prepared meals that are either chilled or frozen. Customers shopping there recently said they liked the store, though several said they wished that Tesco carried more British specialties.

“They have the best frozen food I’ve ever tasted,” said Nathan Cromeenes, 35, who lives nearby and longed for English shortbread.

He said he liked not having to choose among 50 varieties of spaghetti sauce. “They just have one, and it’s really good.”

Dana Gurr, a 49-year-old saleswoman in Laguna Hills, was less enthusiastic. She said the store was sterile and the vegetables went bad quickly. “It’s not that fresh, but it is easy,” she said.

The reviews were similarly mixed, though mostly positive, at the Giant Eagle Express outside Pittsburgh.

Peter and Kim Maguire stopped by the store for some last-minute items en route to a camping trip. They ended up buying chips, strawberries, blueberries and hummus.

“We pop in here for little things we forget,” said Ms. Maguire, 39. Her husband, 38, added that the store has “great lunches,” including sushi and burritos.

RoseAnn Zanoli, 68, said the express store was “good when you need them.” While she found some eggs, she said she came up empty when looking for a card for her 50th wedding anniversary. “They don’t carry everything that you need,” she said.

Sci-Fi Supermarket: High-Tech Innovations Coming to the Grocery Store

Shopping Carts That Scan Prices, Touch Screen Checkout, Shopping Refrigerators and More

ABCNews.go.com Jan. 4, 2007

GOOD MORNING AMERICA

If you're making a grocery list this morning, put down your pencil. Brand-new high-tech conveniences are on the way to a supermarket near you.

(iStock)

Grocery stores have kept up with America's tastes, habits and schedules for decades, and they're not missing a beat in 2008.

"I think the grocery store is on the verge of a major revolution," said shopping analyst Paco Underhill.

The Stop and Shop supermarket chain, for example, is test driving a new "shopping buddy" system that scans items as they are placed in shopping carts, keeping a running tally of how much you're spending.

With infrared technology, the buddy system can let you know about bargains in the store you might otherwise miss.

And when you're done shopping, you don't need to place your items on a conveyor belt; the high-tech cart completes the checkout ordeal for you.

Refrigerator Shops for You

The smart-shopper program at the Green Hills Supermarket in Syracuse, N.Y., has also speeded up checkout by allowing customers to pay by touch with a finger-scan system.

All you do is sign up for the system, which links your finger scan to your bank account. When you're ready to check out just press a button and the money is withdrawn — no cash, credit cards or checks need to change hands.

Store managers say half of Green Hills customers are already paying by touch, and they're not only saving time, they're also saving money. The system tracks what products customers buy and rewards them at the beginning of each shopping trip with an array of coupons, and recipes, geared specifically to them.

Self-checkout kiosks are a fast-growing trend in grocery stores. In 2006, customers spent more than $137 billion on self-checkout transactions, many of them at grocery stores — a 24 percent increase from 2005.

And in an innovation right out of a science-fiction movie, people may no longer have to go to the store at all. General Electric is developing a "smart" refrigerator that will keep track of dwindling food supplies and help to assemble grocery lists for their owners.

"Is there any reason your refrigerator couldn't do a major part of your food ordering and save you the trouble?" Underhill said. "The refrigerator keeps track of whether or not you have milk or Tropicana or Dannon yogurt and simply sends a message."

Wal-Mart opens smaller grocery stores as test
Phoenix experiment comes after British chain begins expanding in West

updated 4:33 p.m. CT, Mon., Jan. 14, 2008

Wal-Mart Stores Inc. will open a new, smaller size of grocery store in the Phoenix area after a big British rival moved into the Southwest with more convenient smaller shops.

The world's biggest retailer said it will test four new stores called Marketside, designed at about half the size of its existing Neighborhood Market grocery chain, which are themselves much smaller than a Wal-Mart Supercenter.

The move comes after British grocery chain Tesco Plc opened its first U.S. stores last fall in the Los Angeles area. Tesco's Fresh & Easy Neighborhood Markets are small stores aimed at shoppers who find big stores inconvenient.

Tesco plans to open hundreds of its stores in California, Nevada and Arizona. It says they will combine gourmet food with staples at regular grocery store prices.

A Wal-Mart spokesman said the retailer is always testing new ideas and declined to say if the new Marketside stores would expand to more locations.

It is a small number for a chain that has more than 4,000 U.S. stores, including 2,435 Supercenters that combine a full grocery section and general merchandise, some housed in buildings that can reach 200,000 square feet in size.

Craig R. Johnson, president of consultancy Customer Growth Partners, said Tesco has discovered untapped market potential with Fresh & Easy and that Wal-Mart is smart to try to follow.

"The great benefit of Wal-Mart's globalization for the U.S. market is that it didn't need to start from scratch in responding to Tesco but could 'borrow' one of the many formats it already uses in Central and South America," Johnson said.

Wal-Mart has a wide range of store types and sizes in the 13 countries where it operates outside the U.S., including neighborhood stores as small as 1,000 square feet.

In the U.S., Wal-Mart's past growth has been fueled mainly by Supercenters. As it expands into more urban areas from its rural and exurban base, Wal-Mart is running into tighter space limits that favor smaller stores like Tesco's new offering.

Each of the four planned Marketside stores will measure about 20,000 square feet, compared to more than 40,000 square feet for a Neighborhood Market.

Wal-Mart shares fell 5 cents to $47.67 Monday.

GROCERY STORE TRENDS
AND STRATEGIES FOR ARLINGTON, VIRGINIA

The food retailing industry has changed dramatically over the past several decades. Grocery store formats are constantly being reinvented, with community serving stores getter ever larger, conventional stores being customized for niche markets, and new brands and formats entering the market. At the same time, buying patterns are also changing as the population ages, has fewer large households and more single people, grows more diverse, and is more affluent. A "return to the city" and the urbanization of older suburbs through infill development has required innovative responses to store design. These trends and others have influenced the grocery market in Arlington, requiring a new strategy to ensure that the needs of local consumers as well as the physical infrastructure of Arlington's urban villages are accommodated.

Changing formats, customized market niches and innovative designs

With so many different store types all competing for market share, the food retailing industry is changing dramatically. Although food sales have long been the purview of conventional supermarkets, these once impenetrable retailers are now facing intense competition from other store types/formats. Studies suggest that sales by traditional food retailers, which accounted for 52 percent of the market in 2004, will only comprise 40 percent by 2013.[1]

What trends in the grocery industry have caused a significant portion of sales to shift from traditional retailers?

- Supercenters and wholesalers, which operate with higher volumes and can undercut competitors, have moved aggressively into food retailing.

- Stores are getting bigger, with the average store size increasing from 35,000 square feet in 1994 to nearly 50,000 square feet today.

- Restaurants offering expanded takeout and delivery options pose a threat by catering to time-pressed and convenience-driven consumers.

- Traditional food retailers are pulling out all the stops to expand their product selection and differentiate themselves from tired store formats.

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[1] Fusaro, Dave, *Nontraditional Retailers May Overtake Supermarkets,* Food Processing Magazine, Feb. 28, 2006.

- Grocery stores are exploring new opportunities in urban markets, wooed by the demographics of "returning-to-the-city" middle- and high-income singles, young professionals, and empty-nesters.

- Large format specialty ethnic stores are capturing market share in areas with high immigrant populations and "ethnic foodies".

- Food retailers are taking notice of the fast-growing organic foods market, expanding their selection of organic products and actively marketing them to consumers.

Traditional stores have been forced to respond to urban markets growing in both population and affluence. Urban areas are coming alive again as high-earning singles, young professionals, and empty nesters weary of suburban traffic and eager for convenient amenities return to major cities. Grocery stores hoping to capitalize on the return of these higher-income households are moving back along with them, but are finding they must adapt their traditional suburban models to be successful in the urban marketplace.

Whole Foods Market, Clarendon

Developing a grocery store in an urban area has challenges, including costly and time-consuming land assemblage, zoning and land use issues, and neighborhood opposition to suburban store designs. Even the inventory in urban supermarkets is different from the items suburban stores carry. For example, given that families with children are less likely to live in urban areas, urban groceries can remove less profitable paper-goods items (e.g. diapers) and instead stock the shelves with more high margin specialty items that cater to busy professionals (e.g. take-out food).[2]

Some supermarkets have begun partnering with commercial and residential developers to plan mixed-use projects with ground-floor grocery stores and offices or apartments/condos above. While such projects face many of the challenges mentioned above, grocery stores and developers are employing new strategies to make such projects feasible. For example, a Safeway in Seattle, WA, added a truck delivery zone under the store to accommodate deliveries without disrupting street traffic. Built underneath a 51-unit condominium complex, the developer took extra care in routing ventilation and providing adequate sound barriers to prevent disturbances to residents.[3] To make an 18,000 square-foot store work in Charlotte, NC, Harris Teeter made some changes to its normal model, shrinking the size of its aisles and using carts one-third smaller than the typical size. Rather than stocking large quantities of food necessitating more square-footage, the store receives more deliveries.[4]

Arlington has experienced similar innovations in form to accommodate local infill requirements. The Whole Foods in Clarendon and the Harris Teeter in Ballston have mezzanine levels in order to decrease the footprint of the stores. Harris

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[2] ELeinberger, Christopher B., *Turning Around Downtown: Twelve Steps to Revitalization,* The Brookings Institution Metropolitan Policy Program, March 2005.
[3] Engleman, Eric, *Shop at Home,* Puget Sound Business Journal, Vol. 24, No. 31 (Dec. 5-11, 2003)
[4] *Uptown Harris Teeter Offers Down Home Charm,* Harris Teeter

Harris Teeter, Potomac Yards

Teeter has also provided an innovative design for their Potomac Yards store in order to incorporate it within a residential condominium project. The same firm has built a smaller than standard 24,000 square foot store in Shirlington. Despite these examples, the predominant grocery chains in the region – Giant and Safeway – have been slow to accept anything but suburban models for new stores.[5]

Arlington's population and purchasing patterns

Age, income, and household size all play a significant role in determining where and when consumers shop and also give insight into the types of products they buy. For example, certain grocery store types and formats attract and cater to particular demographic groups more so than others. High-earning singles and young professionals are more likely to shop at supermarkets and organic/specialty stores than low-income households and families with children (who in contrast shop more frequently at supercenters). Men are more likely than women to buy food at a convenience store, and minorities who live in urban areas are the most likely to shop at ethnic markets.

Arlington's demographics are unique. With higher than average levels of household income and educational attainment, small household size, and a young and diverse population, Arlington households exhibit different shopping patterns and habits from the typical U.S. shopper. Nor is the Arlington market, with its dense commercial corridors, typical in terms of the form of development. While retail in many localities surrounding Washington, D.C. is concentrated in strip centers, much of Arlington's retail is located in intensely developed urban village centers, two enclosed malls, and the ground floors of commercial and residential buildings. These demographic and physical characteristics affect buying patterns.

Shoppers in the Washington, D.C. metro area go to the grocery store more often than the average American shopper. According to the Food Marketing Institute (FMI), the average shopper visits a grocery store 2.1 times per week, whereas consumers in the D.C. area go 2.9 times. However, for the national shopper, 1.6 of those visits will be to their primary store (i.e. the one store where consumers spend the majority of their grocery budget), with other supermarkets, warehouse clubs, discount stores, and specialty stores making up the difference. In the Washington, D.C. metro region, 2.3 grocery visits (of the total 2.9) are made to the primary store. With a high percentage of small households, Arlington shoppers likely have fewer weekly grocery trips, but a greater proportion of primary trips.

[5] Giant has incorporated a new store into a mixed use project on Columbia Pike, but was reluctant to compromise on many aspects of their suburban store format.

Arlington households eat ready-made meals at home considerably more often than their national counterparts. Forty-three percent of FMI survey respondents in the D.C. area reported choosing take-out or delivery foods 1-2 times per week, while nationally only 18 percent reported similar habits. In Arlington, this difference could be attributed to a number of factors including:

- **High household incomes:** The Arlington median household income is $84,800. Consumers with greater disposable income have less of a need to buy raw ingredients and spend time cooking at home versus buying more expensive ready-to-eat meals at their convenience.

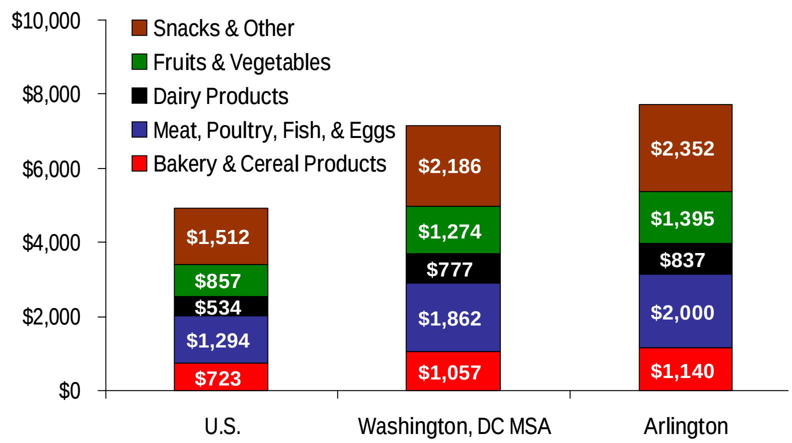
- **Small household size:** The average Arlington household size is 2.15 people, but 42 percent are single-person households. The costs of buying groceries versus buying ready-made meals may be comparable, but the time and effort involved with cooking at home can be excessive compared to simply "picking something up".

- **Workaholics and time-pressed shoppers:** The convenience of pre-made foods may appeal to those with limited time to shop. People who work long hours or spend little time at home may fear perishables going to waste in their absence.

- **Younger population:** Over one-third of Arlington's population is between the ages of 18-34. Some younger residents may not know how to cook, may be adverse to cooking or, lacking substantial financial commitments (e.g. mortgage, childcare), may be able to allocate a higher percentage of disposable income towards pre-made food.

Arlington households spend approximately 60 percent above the national average as it relates to total food expenditures (purchases on food eaten at home and dining out). As shown in Figure 1, the average Arlington household spends $7,723.23 on food at home, compared to $7,156.28 spent by shoppers in the region and $4,920.42 spent by shoppers nationally. Some of the difference in spending could be attributed to variations in cost of living; however, Arlington households still spend 8.2 percent over what others in the region spend.

Figure 1: Average Annual Expenditures on Food at Home by Category



Source: ESRI Business Analyst, Retail Goods and Services Expenditures, 2006

While Arlington shoppers purchase more than the average American shopper in every category of food, the greatest spread is in fruits and vegetables, where in 2006, Arlington households spent 63 percent ($1,394.75) more than the national average ($856.87) and 10 percent more than regional shoppers ($1,273.97).

There is a need to better match grocery store formats and brands with opportunities

Given Arlington's demographics and household spending habits, it would seem the County would not lack for food retailers. However, it can be challenging to attract and retain the right number and types of stores which accomplish both the County's economic and placemaking goals. Small specialty/ethnic stores provide uniqueness and diversity in an industry dominated by impersonal supermarkets and supercenters, but they face challenges in finding suitable and affordable space. Convenience stores have a strong place in the market, but vary in terms of how they contribute to placemaking. Larger-format conventional supermarkets struggle with development limitations, all the while trying to hold onto market share as the low prices of supercenters/discount stores and the specialized product lines of gourmet specialty and ethnic markets lure away customers. Supercenters are generally excluded from entering urban markets due to a lack of large developable parcels and inherent community opposition.

Certain areas of the County, notably Rosslyn and Crystal City, are underserved both by conventional supermarkets and specialty/ethnic stores, which are desperately needed as part of an effort to introduce more interesting retail into the community and foster a sense of place in what are predominately office-oriented neighborhoods. Arlington has not had much penetration among smaller specialty stores like Balducci's and Dean and DeLuca given that these retailers tend to want to locate in already established and thriving retail markets, but there may be opportunities for local businesses or independents in other locations. Given the space requirements, Arlington is unlikely to ever accommodate a supercenter or a large-format Wegmans-type store.

Arlington has added grocery stores in all its urban villages, but it still must recruit certain store types and formats if the County hopes to capture leaking sales and create and sustain attractive and livable communities. There is a need for conventional supermarkets – particularly urban models that can be successful in mixed-use projects and multi-storey formats. Harris Teeter and more recently Giant have begun introducing new types and formats in Arlington, but there still may be unexplored and improved means of facilitating grocery stores in new development and redevelopment. Convenience stores are well-represented in Arlington; given their ability to fare successfully in a variety of market conditions (e.g. leasing space in ground floor retail versus occupying their own properties along major roadways), it does not seem the County needs to make a special effort to attract and retain these types of food stores. On the other hand, if placemaking is to be a priority, the County will need to consider creative ways of attracting and retaining specialty/ethnic stores – both the larger 10,000-20,000 square-foot Trader Joe's-type formats and smaller independent retailers.

There is substantial leakage of grocery sales to surrounding communities

As of September 2006, Arlington had 986,190[6] square feet of food store space. Multiplied by $352.50 (median food sales/sf[7]), Arlington's total food expenditures were $347,631,975. With an estimated food demand of $610,767,248[8], AED estimates that Arlington could support an additional 746,483 square feet of food retail for a total of 1,732,673 square feet of grocery store space.

On a scale of -100 to 100, where -100 represents a total surplus or oversupply and 100 represents total leakage or unmet demand, Arlington scores a 20.9 in the food and beverage store industry.[9] Where are those sales going? For food retailers, trade areas are not defined by jurisdictional boundaries. Given Arlington's small size, it is easy for residents who live near the border of Fairfax County or the City of Alexandria, or those who have easy access to major roadways such as I-66 and Route 50, to shop elsewhere. Stores right over the Arlington County line may be on a shopper's way home from work, have easier parking, or carry a better selection of products than an equidistant Arlington location.

Nationally, there is an average of one grocery store for every 8,500 people.[10] According to a study by Delta Associates, the Alexandria/ Arlington market is vastly underserved (surpassed only by the District of Columbia), with one grocery store for every 17,900 people. As mentioned above, while Arlington may in fact be underserved, it may not in reality be underserved to the extent the Delta Associates data portrays. Delta's data looks at jurisdictional boundaries only and compares the number of stores to population; food retailers looking at the same market may likely consider their trade areas covered, e.g. that a Fairfax County location may cover areas of Arlington.

However, despite the amount Arlington households spend on food, recent data suggests the County is leaking approximately $260 million in food expenditure dollars to other jurisdictions. Partly, this can be attributed to a shortage of large

Arlington County is leaking approximately $260 million annually in food expenditure dollars to other jurisdictions.

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[6] Arlington County Commissioner of Revenue

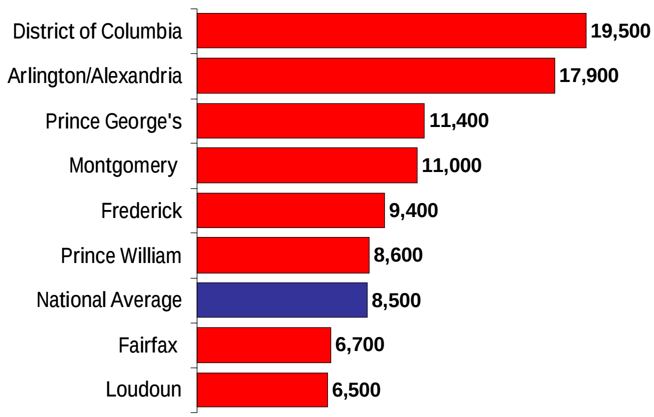
[7] Median food sales per square-foot includes all types of food sales formats (e.g. supermarkets, health food stores, specialty food, bakeries, etc.); *Dollars & Cents of Shopping Centers®/The SCORE® 2006*

[8] ESRI Retail Goods & Expenditures

[9] ESRI Retail Goods & Expenditures

[10] Includes only grocery stores with over $2 million in sales.

Figure 2: Persons per Grocery Store*
Washington Metro Jurisdictions



** Includes only grocery stores with more than $2M in sales.*

Source: Food World, Claritas, Delta Associates, 2007

grocery store formats, but it may also be a result of Arlington's "invisible borders" and the fact that it may sometimes be closer and easier for Arlington residents to go to grocery stores in neighboring jurisdictions.

While the County has worked aggressively to create a favorable business climate for both large chains and new small businesses, certain private sector limitations related to the urban environment (including the high cost of space, a limited amount of developable land, and challenges relating to parking and deliveries) may necessitate new creativity in exploring methods of capturing the leaking sales. Grocery stores are used to receiving low rents, even subsidies, to anchor retail projects.

There is a need to better match products – store formats and brands – with opportunities

With its diverse population, small households, and high household incomes, Arlington is uniquely positioned to take advantage of many of the industry's new trends and opportunities. As of January 2007, there were 143 food stores in Arlington, including neighborhood and community supermarkets, specialty/ethnic markets, convenience stores (both stand-alone and gas station-affiliated), commissaries, wholesalers, and farmers' markets. In 2006, Arlington households spent significantly more than the average U.S. household on both food at home and food away from home, and spent even slightly more in each category than our regional counterparts.

At present, Arlington has the greatest grocery need – excluding the need for convenience stores – in Rosslyn and Crystal City. Rosslyn is served primarily by a 24,750 square-foot Safeway, built in 1973. There has been no conventional supermarket in Crystal City since Safeway closed its doors in 2005, although there is a 50,000 square-foot Harris Teeter at Market Square on Center Park, south of Crystal City in National Gateway.

Both areas are densely-populated areas with an aging building stock and a daytime office population that has dominated the character of local retail. For years, the retail in both urban villages has been primarily-oriented to serve workers and not the people who live there, creating a void of after-hours activity and offering little reason for people to shop or dine past five o'clock. New retail along Crystal Drive, including notable chains such as Morton's Steakhouse, Caribou Coffee, and the local bookstore Olsson's, has drawn more people to Crystal City, but the area is still far from having the character and defining sense of place that other Arlington urban villages enjoy. Rosslyn also lacks interesting after-hours type retail – while 10,000 people live there, its identity is tied to its towering office buildings.

Both Rosslyn and Crystal City are primed for substantial additional development. Rosslyn has Waterview and Turnberry Tower under construction, Central Place approved, and several potential new projects on the drawing board. Crystal City is in the process of planning extensive redevelopment which would add as many as 17,000 additional residents and 18,000 workers, supporting another 700,000 square feet of retail space. There is a substantial existing and growing demand for grocery stores in both markets.

Strategy Recommendations

The current County Grocery Store Policy adopted in 1985 has resulted in many successes. New community serving grocery stores have been built in many of the urban villages including Clarendon, Virginia Square, Ballston and Pentagon City. Arlington has supported a substantial number of small groceries serving specialty needs such as ethnic and organic markets. Important land use decisions were essential in most cases. To continue to effectively serve public needs, and to continue to focus on grocery stores as fundamental building blocks of both placemaking and economic sustainability, the following strategies are offered for consideration:

- Provide a land use preference for grocery stores that meet identified shortages or special needs (in Rosslyn or Crystal City for instance) through density or parking concessions;

- Advocate for context-sensitive design of new stores, using urban formats suitable for infill development on constricted sites;

- Recruit new formats and brands to augment the more traditional products, suggesting that Arlington's demographics and current sales leakage makes the community an ideal and low risk test market for new products;

- Provide continued small business assistance to permit small specialty stores to thrive as the market continues to become more expensive and upscale;

Safeway, Rosslyn

- Support farmer's markets and continue to work on the eventual development of a more permanent market as a focal point in Clarendon; and

- Consider possible locations for large format or supercenter stores within the context of Arlington's urban environment.

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This study was prepared by Jennie Gordon of Arlington Economic Development.

FORTUNE

Tower of tomorrow

Buildings give life to the landscape, but they are not normally considered alive. This one is: it breathes, it sleeps, it wakes up in the morning - and it is not impossible.

By William McDonough, Fortune
November 9 2006: 10:21 AM EST

(Fortune Magazine) -- When *Fortune* invited my design firm, which specializes in sustainable architecture, to share our vision of a building of the future, we decided not to guess about conditions decades or centuries away. Instead, we looked at the possibilities that exist now.

Buildings consume 40 percent of our energy and can have life spans longer than humans. Because we live, work and associate with others in buildings, they form part of the fabric of human life - and thus have an enormous effect not only on the quality of individual lives but also on the state of the earth.

In the photographs that that follow, we have configured a structure that is not just kind to nature; it actually imitates nature. Imagine a building that makes oxygen, distills water, produces energy, changes with the seasons - and is beautiful. In effect, that building is like a tree, standing in a city that is like a forest.

William McDonough, founder and principal of William McDonough & Partners, built the first solar-powered house in Ireland in 1977 and designed the first "green office" in the U.S. in 1985.

The building of the future will not just sit on a lot. It will be productive. From solar panels that

produce power to tree-filled terraces that recycle water, the building will work, quite literally, from the inside out. How distant is this prospect? Hard to say. All the technologies mentioned are "state of the shelf": That is, they already exist, although not all are economically practical. But architecture and design are crafts for the long term. This tower shows the way urban centers can get closer to nature - and in the process keep neighborhoods and cities vibrant and healthy.

Form and function

Curved forms increase structural stability and maximize enclosed space; this reduces the amount of materials needed for construction. The shape is also aerodynamic, diffusing the impact of wind.

Treetops

Traditional rooftops, covered in asphalt and tar, create heat-absorbing surfaces that contribute to the "urban heat island" effect - higher temperatures that can alter weather patterns and intensify smog. A layer of ground cover on this building's roof helps to regulate temperature, protects waterproof coatings, and absorbs and cleans storm water.

Soil and green

The western side of the building is a series of three-story atrium gardens. The greenery brings the outdoors inside, providing a breath of nature. Plants clean the interior air, and as leaf colors change, the building reacts in step with natural cycles. The north façade (unseen) is clear glass covered with positively-charged mosses that absorb particulates of the air.

Water, water

Water is recycled in the building several times over. Greenhouses treat wastewater from sinks and bathtubs for reuse as irrigation in the building's gardens, a process made possible when nontoxic cleaning products are used. Cleansed by the gardens, the water can be used again as non-drinking water - for example, in toilets.

Street smarts

After a close study of the sun and shadows, the shape and orientation of the building are tailored to the site. This building faces south toward a park, so it can capture maximum sunlight, and its irregular form allows more daylight to reach the street. Gardens circle the base, contributing to the quality of life at street level.

Solar power

The southern façade, made of about 100,000 square feet of photovoltaic panels that convert sunlight into electricity, collects enough energy to provide up to 40 percent of the building's needs. Costing at least 20 cents per kilowatt-hour - several times as much as coal or natural gas - solar PV is expensive today. But the trends are good: Solar is getting cheaper, and the relative economics will improve as more states and countries regulate the production of greenhouse gases.

Building skin

The structure is built up in layers of materials that perform different functions, from weatherproofing to insulation to transparency. These surfaces are becoming thinner, lighter, and smarter.

Productive workspaces

Under-floor air distribution improves air quality. Flexible communal spaces replace fixed individual stations. Chairs and workstations are ergonomic. Smart monitors detect the presence of people and adjust temperature, light, air and sound as needed. This allows individuals to control their environment. Our motto: "We don't heat or cool ghosts."

Waste equals food

In nature, nutrients are cycled and recycled endlessly. "Eco-effective design" seeks to mimic those cycles. All products, from building materials to furnishings, are designed to return safely to the earth or to be reused - like office chairs that can be disassembled into components and sent back to the manufacturer to become another product.

Heating and cooling

They account for almost 30 percent of a building's energy use. By transferring heat between the building and the earth using a system that circulates heat-absorbing liquid through underground wells, a building can reduce energy usage. A combined heat-and-power plant, fueled by natural gas, operates at up to 90 percent efficiency and supplies the power that the solar panels cannot.

The new city beautiful

What is a tree?

Take away the poetry, and it is an exquisitely productive organism. That is the model we keep in mind when we design. The building on the preceding pages aspires to this: Not only can it be used for either business or housing, it also works hard. Among other things, it is purifying the air, making oxygen, sequestering carbon and drawing energy from the sun. Just as a tree does, we want our structure to filter light down to the ground while optimizing its surface area to the sun. This building, planted like a poplar, reaches up to the sky. It honors the sky and what it means to scrape it.

For a building like this, the context is probably that of a city. There is a larger truth here: Structures and places need to work together, and buildings need to be flexible for cities to endure. Look at SoHo in New York City. The buildings in that neighborhood were designed as warehouses and factories. Then they became artists' studios and galleries, and finally offices and sought-after apartments. The transitions worked because the buildings in SoHo have characteristics - tall windows, high ceilings - that make them livable.

We also need to consider how cities evolve. For example, we're developing a conceptual design for a new, 120,000-person city outside Liuzhou, in southern China.

At its current rate of urbanization, China will lose 25 percent of its farmland in the next 15 years. As designers, we want to respond to that challenge. So we're proposing a 22-square-mile community that uses its roofs as farmland. Instead of being hot and unsightly, the city's rooftops will host productive gardens and farms that will also clean its air and water - a huge plus considering China's dire environmental straits.

Looking ahead, we see new materials that will make buildings even more productive, such as intelligent glass that is self-shading. We're looking at carpets and fabrics that clean the air, and photovoltaic coatings that can be applied to steel. We are intrigued by the lotus effect: If you take a lotus leaf and put axle grease on it, the grease slides off. We are working on coatings that mimic that, so that none of the dust and grime of urban life sticks.

A self-cleaning building is a beautiful prospect, shimmering and bright. Every time it rains, it gets washed. Just like a tree.

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Mixed-use Development - Policy Statement
City Council and Planning & Zoning Commission Joint Retreat
October 10, 2008

Introduction

The Planning & Zoning Commission is currently working to develop a policy statement for mixed-use development. This document will ultimately be adopted as part of the Comprehensive Plan and will help set expectations for mixed-use projects in the city of Plano. As discussed in the retreat workbook, there are a number of important issues surrounding mixed-use that warrant discussion in the policy statement. One of the goals for this project is to establish the key characteristics and expectations for mixed-use projects in Plano. In particular, how and where does mixed-use development fit within the city? The question deserves consideration, especially since mixed-use development is generally a more urban form and deviates from the suburban development that predominates in Plano.

Death and Life of Great American Cities, by Jane Jacobs is one of the most influential books on the mechanics of the city. Her observations have received much discussion over the years. However, many of her observations are as true today as the day they were written. "[T]he greatest single fact about cities [is] the immense number of parts that make up a city, and the immense diversity of those parts. Diversity is natural to…cities. Cities may fairly be called natural economic generators of diversity, and natural economic incubators of new enterprises." Jacobs concludes that "the same physical and economic conditions that generate diverse commerce are intimately related to the presence, or production, of other kinds of city variety": variety in its cultural opportunities, its physical settings, and its residents and visitors. In other words, the same forces that make a city a good place to do business also make it a good place to live.

The physical design or form of a city is very important as it impacts economic and social vitality and diversity. These critical elements of a community can be reduced or supported by the layout of its streets, parks, and buildings. The design or form of the city influences modes of travel as well as how many opportunities there are for people to interact as they go about their day. Physical design can support or detract from the interactions between all of a community's stakeholders - residents, businesses, the education community, government and other institutions. These and other relationships (physical and social) are what help build a community.

What's Old is New Again

Although not specifically called mixed-use, a mix of uses - work, home, commerce - has been commonplace in communities throughout the United States and Europe. Prior to WWII towns were, out of necessity, designed on a pedestrian scale. In many ways, the combination of uses all within walking distance of each other provided natural synergies that enhanced daily life. In fact, it wasn't until the "modern" zoning code, also referred to as Euclidian zoning, came into common use that land uses were so strictly separated. In doing so, many of the great synergies that come from mixing uses were lost. In pursuing mixed-use development, many communities would like to recapture some of the benefits of mixed-use:

- **Creating areas that are active throughout the day.** A mix of uses eliminates the problems of residential areas that are largely unpopulated during the day and commercial areas that are desolate after business hours. Mixed-use areas have populations and activities that take place throughout the day, making them more vibrant and safe.
- **Increasing housing options for diverse household types.** Mixed-use areas often have higher density housing types, such as apartments and townhouses, close to amenities and add to the variety of housing options available within the city which is especially important to meet the needs of an increasingly diverse population.
- **Reducing auto dependence.** Mixed-use areas provide a variety of services and activities within a walkable distance of housing, allowing residents to conduct more of their daily activities without depending on automobiles. Reduced auto dependence especially provides greater independence for seniors and children who can often be marginalized simply because they cannot drive.
- **Increasing travel options.** Mixed-use areas, if well designed, can comfortably support pedestrian, bicycle, transit, and automobile traffic.
- **Creating a local sense of place.** Although difficult to quantify, mixed-use areas can create a vibrant sense of place and community. This can be not just on a city-wide scale, but it can also be a tool that helps to differentiate neighborhoods. And, as mentioned above, by supporting pedestrian movement these areas provide increased opportunities for neighbors to meet and interact. They also provide a wider variety in the types of environments to be found in the city adding interest and diversity.

This policy statement will define mixed-use development and its role in Plano, including how this development form can be used to create urban centers on very large tracts of land and in various parts of the city on smaller parcels. The policy statement should help clarify what is meant by the term "mixed-use". It should also expound upon the expected benefits of mixed-use projects and describe the key components necessary for creating those benefits. It will also provide a guide to decisions makers tasked with evaluating proposed projects.

The Planning & Zoning Commission has done some preliminary work to establish key characteristics for mixed-use projects in Plano. These include:

1. Integration of Uses – Are uses tied together through a variety of connections? Are buildings tightly connected or grouped?

2. Density - Density/massing of buildings is critical to creating successful mixed-use projects. What percentage of the buildings are one story? What percentage is three to four stories?

3. Pedestrian Orientation - Is the development sufficiently compact so that people may travel among major uses without being tempted to move their car? Is the development walkable?

4. Connections/Connectivity - Is there a grid of streets? Does the project support multiple modes of transportation?

5. Uses are a Good Fit - Is the location suitable for each use (residential, office, retail etc.), if they were to be considered alone, outside of a mixed-use setting?

6. Multiple Uses – Are the uses varied but complementary and/or synergistic?

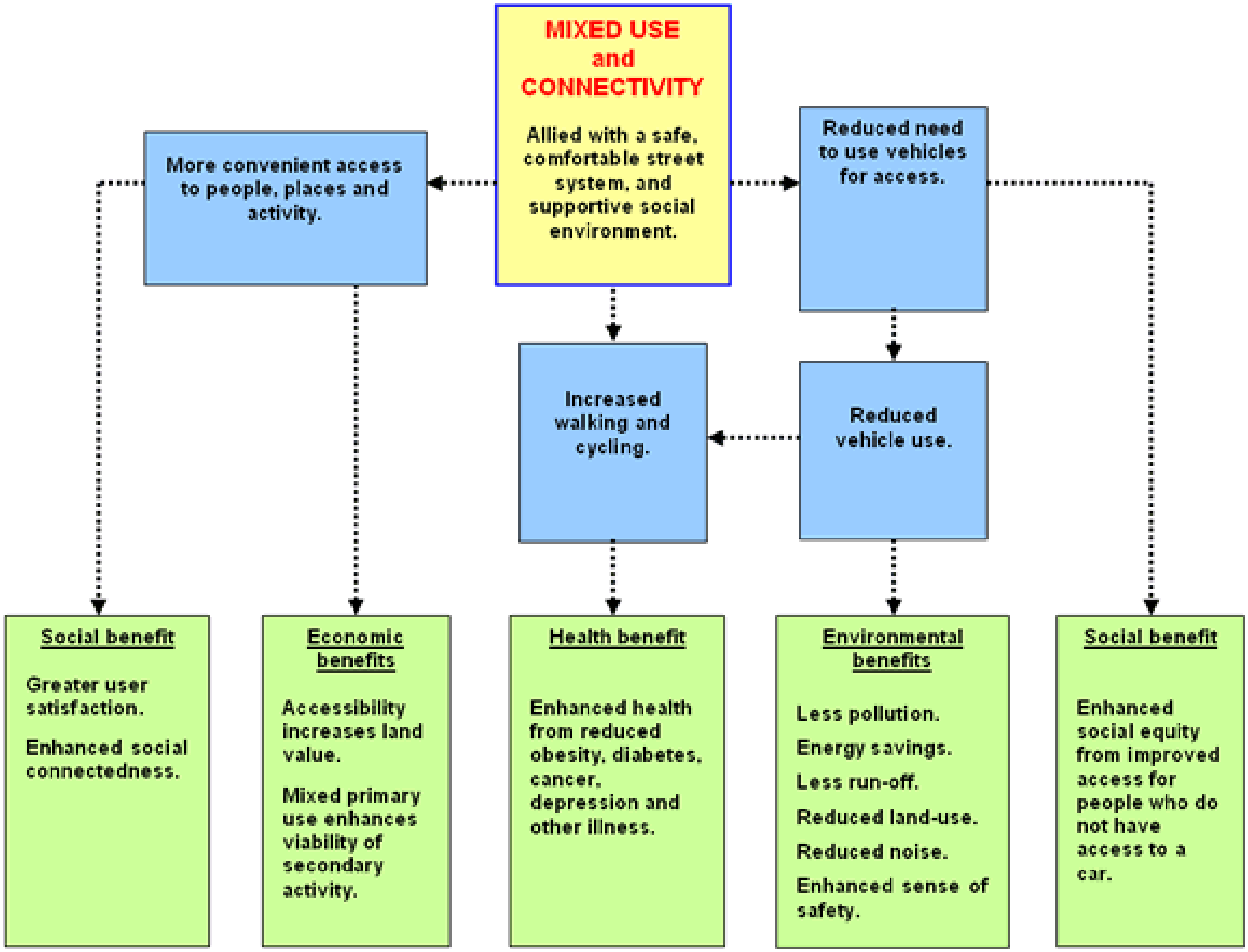
7. Public Space - Are the buildings oriented towards the street? Does the arrangement of buildings, streets, and open space create public spaces?

8. Human Scale - Does the design of the street space include street trees, light standards, benches and other amenities to give the development a human scale?

9. Parking – Is parking handled in a way that supports pedestrian activity?

10. Location – Is the development a natural fit with the larger surrounding area? How does the project relate to/impact surrounding development?

During the retreat there will be an opportunity to further explore these and other details of the policy statement.


MIXED USE
and
CONNECTIVITY
Allied with a safe, comfortable street system, and supportive social environment.
More convenient access to people, places and activity.
Reduced need to use vehicles for access.
Increased walking and cycling.
Reduced vehicle use.
Social benefit
Greater user satisfaction.
Enhanced social connectedness.
Economic benefits
Accessibility increases land value.
Mixed primary use enhances viability of secondary activity.
Health benefit
Enhanced health from reduced obesity, diabetes, cancer, depression and other illness.
Environmental benefits
Less pollution.
Energy savings.
Less run-off.
Reduced land-use.
Reduced noise.
Enhanced sense of safety.
Social benefit
Enhanced social equity from improved access for people who do not have access to a car.

Urban Land - August 2008 - Special Report: Place Making

Creation of a mixture of uses in an integrated development often faces significant challenges.

Process before Place Making

By Michael Beyard and Bruce Leonard

Mixed-use developments are among the most risk-intensive and complicated real estate projects to implement. What makes them more highly desirable and worthwhile than conventional projects is that they offer higher rewards to the developers, residents, and the community as a whole. In an era when carbon footprints, vehicle-miles traveled, global warming, infrastructure deficits, and the skyrocketing cost of gasoline are major concerns, changing the way the future of cities is envisioned is imperative. Denser mixed-use development that incorporates sustainable characteristics is an integral part of that future.

Due diligence evaluating key issues, techniques, and tips before place making should help developers create more successful and sustainable mixed-use projects. It also should help them create memorable places that can evolve over time to meet the changing needs of hard-to-please consumers who are oversupplied with choices—and can easily spend their shopping dollars and leisure time somewhere else.

Evaluation of the market. Retailing is the driver of a mixed-use project, so if the retail component does not work in a market sense, the mix will not work. As a result, having a comprehensive understanding of the retail market before beginning the planning and design phases of the mix will help the developer avoid mistakes that can cause the overall project to fail or underperform.

The first step is to establish a realistic set of residential trade areas for the retail uses envisioned for the project—one that recognizes that the trade area needed to support a convenience store is much smaller than the one needed to support a theater or department store. Office employees can be added to the count because they especially support restaurants—a major part of mixed retailing. A common mistake, however, is to assume that the people who live above the retail businesses will provide the market to sustain the retail uses; in fact they will provide a very small part of overall demand.

Next, the tenant mixes and price points of competitors in the trade area should be evaluated. Because mixed-use projects are subject to the same competitive forces that affect more traditional types of retail development, it is crucial to identify opportunity gaps in the trade area. These can be quality gaps as well as coverage gaps because so much single-use retail is repetitive and out of date. As always, even if the proposed project's concept is compelling, retailers will not want to locate in a project if the following circumstances exist: the demand for their product or service is already being met; the local population lacks the income, education, or other characteristics that retailers have identified in their key customers; or—should these other elements be in place—population growth statistics in the trade area indicate that future demand will not support additional square footage.

Product thresholds and absorption rates. Absorption rates for all major land uses play a key role in determining overall project success, although, surprisingly, they are often overlooked in the planning stages. Generally, retailers in a project prefer to open at the same time and at specific times of the year—either during the spring or holiday shopping seasons. However, a large-scale mixed-use project may have more vertical space—for example, apartments, offices, or both—than retail space to be absorbed in the same period. This mismatch, which may last for years, needs to be carefully built into the pro forma upfront because it can harm the project's short-term return, making it much riskier for capital investors.

Retailers' need for critical mass and certain minimal thresholds can also limit phasing options. If achieving a critical mass of retail in the first phase is not possible because of the complexities associated with the vertical mixing of uses, a multiuse strategy of horizontal rather than vertical integration may be more appropriate. On more compact sites where multiuse development is not a desirable option, understanding the complexities of absorption—especially when uses are being mixed vertically—can help the developer avoid expensive entitlement and leasing delays.

Retail development and income thresholds—especially rental income versus construction costs—must also be considered before structured parking and vertical integration of uses are introduced into the master plan. The high cost of these elements can drastically affect a pro forma and make a project unviable if certain retail rent thresholds and merchandising demands cannot be met. If one assumes that a reasonable market-rate land basis and minimal public subsidy exist, mixed-use projects involving structured parking are usually viable only in market areas where blended retail income exceeds $45 per square foot ($485 per sq m) and apartment rental income exceeds $1.85 per square foot ($20 per sq m). If these thresholds are not attainable, a project may need to be redesigned as a multiuse offering or even reentitled, causing significant delays.

To partially offset the high cost of structured parking, the development team should seek approval from the local jurisdiction to implement a shared parking program through which the total parking provided for the mixed-use project is less than the parking that would be required had the uses each been built on a stand-alone basis. This strategy takes into account the different peak-hour demands of retail, restaurant, office, residential, and hotel uses, reducing a project's overall parking demand.

Critical mass and merchandising mix. Retail centers, including those in mixed-use projects, are typically classified in terms of the market they serve and their square footage, with each type requiring a different critical mass to achieve success. Mixed-use projects must follow the same ratio of retail anchors to in-line stores, cotenancy requirements, and parking requirements as other shopping centers, but there are a few twists.

Typically in a mixed-use project, the ratio of anchor to in-line retail tenant space is 2 to 1. Anchor tenants are of paramount importance to the success of a retail environment with mixed uses; there are few, if any, significant mixed-use projects in which the retail mix is composed solely of in-line tenants. However, high-sales-volume, low-price-point anchors like Old Navy, Sports Authority, or Best Buy are rarely a good fit, except in intensely urban locations, because their customers tend to need direct access to large parking fields (inappropriate in a denser, mixed-use environment) or they need large parking structures (not economically supportable by the rents they pay). Moreover, these retailers often occupy buildings that are both extremely large and that reflect a strong branding treatment in their architecture, which makes them harder to integrate into the pedestrian-scaled and architecturally controlled environment of a mixed-use project.

The mix of in-line, leisure-oriented specialty and lifestyle stores and restaurants typically gives mixed-use centers their distinct identity, so balancing these types of tenants with key anchors will help a developer create a memorable environment. In terms of cotenancy, both specialty retailers and restaurants prefer higher concentrations of similar tenants—for example, fashion retailers prefer to be located near other fashion retailers. Anchors may not require cotenants; however, they do require ample, convenient parking because they are the primary destination for most consumers.

Whatever mix is chosen, it is essential that it match the dominant demographic, income, and psycho-demographic profiles of those living and working within the trade area—especially since mixed-use offerings tend to be more discretionary and lifestyle oriented.

Different design constraints for retail environments. Retail is the most difficult of all land uses to develop, and the most fragile, because its success depends so much on non–real estate factors such as merchandising and the public's fickle tastes. In addition, the difference between success and failure of retailing is often in the details—details that likely would have little effect on residential or office development. As a result, retail uses should be planned first and then integrated with the uses above it and the public spaces around it. Retailing rarely succeeds in spaces left over once the parking entrances, office lobbies, and service areas have been designed.

The retail plan needs to reflect how customers will move through and use the outdoor spaces, and it should support their itineraries with a continuous and seamless presentation of goods and services just as in a typical retail-only shopping center. The plan should provide a variety of retail formats that correspond to the type of center and market being served, as well as a diverse range of storefronts for retailers and outdoor spaces for restaurants that want to present their own unique images. Floor-to-floor heights of at least 18 feet (5.5 m)—20 feet (6.1 m) for anchors—are essential to successfully market these spaces to prospective tenants, all of whom need this volume to create their own unique environments.

Potential conflicts also need to be resolved upfront, because it will be too late, for example, to move the garage entrance once the building has been designed. At the same time, no one will want to live above a restaurant if the smell of grease is pervasive, above an entertainment facility if there is noise all night, or overlooking the service court if trash trucks crash through at 5 a.m.

Public versus private space issues. Development of mixed-use centers creates opportunities to add public spaces that the public often would not be able to afford otherwise, including well-designed and maintained streets, sidewalks, parks, and leisure and recreational spaces. These spaces are crucial to successful retailing, yet these "public" spaces are often not public at all—being privately owned—although they may look like they are.

This presents challenges that need to be resolved upfront. Unlike a shopping center that is closed at night, the public spaces in mixed-use developments are open 24 hours every day. Initial planning and design as well as ongoing management strategies must reflect this reality. Round-the-clock operations and security will be necessary, just as is the case in older urban commercial districts. However, standards of maintenance and security will need to be higher to meet customers' higher expectations.

The developer will need to work closely with its local jurisdiction to agree on who owns, maintains, and polices these spaces, because this will have serious long-term financial and operational implications. Are these spaces to be built by the developer and turned over to the public? Are they to be private in perpetuity, or will there be some kind of hybrid arrangement? What rights does the public have in privately owned or managed "public" spaces? Do they include such First Amendment rights as assembly and free speech, and how are these rights to be regulated to the satisfaction of the public and the developer that is trying to run a shopping center? If not addressed thoughtfully, these issues can cause major public relations problems.

In addition, the presence in a mixed-use project of attractive and useful public spaces, particularly those that attract families with children as a result of interactive water features or similar amenities, will serve to increase the length of stay at the project by the public and will increase the overall parking demand as a result. In some projects, the public spaces serve as anchors and, hence, generate parking demand in their own right.

Parking and future phases. An integrated mix of on- and off-street parking is the most desirable goal for mixed-use centers. The convenience of short-term, on-street spaces in front of the stores is a marketing plus, while off-street spaces are needed to accommodate the volume of longer-term residents, workers, and customers. If land values and planned densities are high, off-street, structured parking decks, either above or below ground, will likely be justified and certainly be more desirable than endless parking fields. Above-ground decks can be conveniently integrated into midblock configurations—preferably near the edges of the development, easily accessible from the main arterials, and away from the pedestrian heart of the development. But if they are sited along the street, active uses should always occupy the first floor along retail-oriented streets.

Where decks are not financially feasible, even with a public subsidy, parking fields around the periphery of the mixed-use center or in midblocks will have to suffice, at least temporarily. For the longer term, parking fields make ideal sites for future development phases—a major advantage of flexible, block-by-block, mixed-use development patterns. Conceptual planning for future phases on parking fields should be considered upfront; as the development matures and land values rise, these fields offer good redevelopment opportunities.

Mixed-use developments also offer some limited opportunities for shared parking, but dedicated parking will still be expected for residents, office workers, and shoppers. The major opportunity to reduce parking needs will be in the evening when shoppers, diners, and users of entertainment facilities will be able to park in spaces used by daytime office workers. The overall number of needed spaces can be further reduced because on-site residents, office workers, and nearby neighborhood residents will be able to walk to the commercial center.

Just as care should be taken in the location and design of structured parking facilities—especially to make clear to motorists the amount of parking available in a garage in real time—so, too, care must be taken in the design of on-street parking. In particular, parallel parking is more desirable in front of stores than angled or head-in parking, which increases the distance between buildings on opposite sides of the street, reducing the pedestrian feel of the project. In some cases, angled parking has led to accidents when drivers lose control of their vehicles and crash into the store facing the space.

Partnerships with codevelopers. As is the case with most development paradigms, in forming partnerships with codevelopers, it is best to look for individuals or companies with experience with mixed-use projects. The vertical integration involved in these types of projects usually necessitates a dual ownership structure, with one set of owners for the retail and office uses and another for the apartment and hotel uses. This structure results in a complex set of legal and operations agreements—defining who has control of major development issues, creating rules for resolving disputes and conflicts, and establishing responsibility for services, daily operations, and phasing. These agreements should all be negotiated early in the development process.

In any case, the partnership must transcend the legal documentation to recognize that each co-developer will need to solve a given problem in ways that best suit the market and financing needs of the product type being contributed to the mix. As a result, some developers who have worked with codevelopers choose to take on new product types in subsequent projects solely to avoid the complexity and misaligned interests that they experienced in earlier projects with codevelopers.

In addition, overlapping development and construction costs can create tension among codevelopers that can be mitigated by creating a shared income/expense agreement for all uses. This puts development partners on a more unified and equal footing. For mixed-use developers, the benefits of such an agreement in terms of fewer mistakes and delays—and a healthier bottom line—become clearer as experience becomes deeper.

While it is difficult to quantify in a pro forma, recent experience indicates that developers are likely to see a premium of 15 to 25 percent on sales and rents for a well-conceived, mixed-use development compared with that for a single-use project. Much of this premium will be spent in advance on such things as higher-quality public environments, building finishes, and structured parking—accounting for the higher risk. The challenge is to carefully determine the proper balance between higher quality and higher payback early in the development process.

Place making. The need for place making is much discussed whenever mixed-use developments are described, but it is important to emphasize that the concept extends well beyond the physical configuration of the project and its palette of materials and architectural styles. Developing a merchandising plan that places the right uses in the right location—for example, restaurants on the major plaza—is critical. Adding civic uses like a town hall, community center, postal facility, or other public facilities can also create a stronger sense of place for the community. Last, and often overlooked, is project programming in the form of concert series, farmers' markets, antique auto shows, or other events that draw the public into the project for nonshopping reasons. These increase the community connection to the project and ultimately increase sales and the developer's ability to command higher rents long term.

To ensure success, however, developers and communities need to step back and rigorously conceptualize a mixed-use project before the detailed aspects of place making are determined and applied. Without a rigorous analysis and understanding of what it takes for different land uses to thrive—especially with retail space—place making runs the risk of becoming a superficial type of window dressing that will not meet the expectations of the developers or the consumers, nor help create the mixed-use type of center promoting sustainability and social interaction for the community.

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Urban Land: August 2008

MIXED-USE:
MORE THAN FLAVOUR-OF-THE-MONTH

By Hermann J. Kircher
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Many retail developments currently being planned refer to themselves, in part, or totally, as a lifestyle development. The "lifestyle" description is overused and has lost some of its original meaning.

When first used by Poag & McEwen to describe a specific type of new development, which was limited to a single (e.g. retail) use, a lifestyle centre differentiated itself from other types of common specialty retail centres referred to as fashion centres, power centres, theme or festival centres and outlet centres. The initial International Council of Shopping Centers (ICSC) definition was:

> **Lifestyle Center**: Most often located near affluent residential neighborhoods, this center type caters to the retail needs and "lifestyle" pursuits of consumers in its trading area. It has an open-air configuration and typically includes at least 50,000 sq. ft. of space occupied by upscale national chain specialty stores. Other elements help make the lifestyle center serve as a multi-purpose, leisure-time destination, including: restaurants and entertainment; design ambience and amenities such as fountains and street furniture that are conducive to casual browsing; and often one or more conventional or fashion specialty department stores as anchors.

Lifestyle is a catchy and fashionable description of a retail development, infusing it with a "cachet" it may or may not have. Clearly, any type of retail development reflects a certain lifestyle from cheap to chic. A lifestyle power-centre trumps all.

The basic concept of the initial lifestyle idea, providing a human-scaled environment and creating a holistic aesthetic among disparate uses, remains valid, but needs to be viewed within a new context.

Mixed Use vs. Multi-Use

Multi-use centres are those containing a distinct retail component with other, complementary uses found on fringe properties. These could include freestanding office, hotel, self-storage and, occasionally, high-density residential developments.

Mixed-use developments differentiate themselves from multi-use projects by integrating different uses within the same structure. For example, a typical mixed-use project could include upscale retailers on the ground floor and office as well as, or in addition to, residential uses on top of the retail podium. They must attract a critical mass of people during the day and night. Residential or office uses could comprise more than one floor, and may either be condominiums or rental properties. Unsightly seas of parking that characterize enclosed malls are replaced by structured parking or heavily landscaped and screened surface parking. In fact, architectural elements may extend to structured parking, thus seamlessly integrating various uses and minimizing the distance between shopping and parking.

Typical recent examples of successful mixed-use developments in a challenging climate include Crocker Park and Legacy Village, near Cleveland, Ohio. Currently, there are about 150 lifestyle/mixed use centres in the United States. RTKL, a Baltimore-based, multi-disciplinary architectural firm, and the Urban Land Institute (ULI) have studied a cross-section of these centres, which can serve as a guide to anyone investigating this development concept in greater detail. They include:

The Avenue at White Marsh, Baltimore, MD	Bay Street, Emeryville, CA
Bethesda Row, Bethesda, MD	Birkdale Village, Huntersville, NC
Bowie Town Center, Bowie MD	Country Club Plaza, Kansas City, MO
Desert Ridge, Phoenix, CA	Easton Town Center, Columbus, OH
Fairfax Corner, Fairfax, VA	Fashion Island, Newport Beach, CA
Fourth Street Shops, Berkeley, CA	The Glen Town Center, Glenview, IL
The Grove, Los Angeles, CA	Highland Park Village, Dallas, TX
Irvine Spectrum Center, Irvine, CA	Kierland Commons, Scottsdale, AZ
Legacy Village, Lyndhurst, OH	The Market Common, Clarendon, Arlington, VA
Market Street at DC Ranch, Scottsdale, AZ	Mockingbird Station, Dallas, TX
Pacific Place, Seattle, WA	Paseo Colorado, Pasadena, CA
Phillips Place, Charlotte, NC	Pike Place Market, Seattle, WA
Redmond Town Center, Redmond, WA	Santa Monica Place, Santa Monica, CA
Santana Row, San Jose, CA	The Shops at Legacy, Plano, TX
Stanford Shopping Center, Palo Alto, CA	Southlake Town Center, South Lake, TX
Town Center Plaza, Leawood, KS	University Village, Seattle, WA
Westlake Center, Seattle, WA	

Experience to date suggests that a limited amount of office space, say, 50,000 sq. ft. to 70,000 sq. ft. on a 300,000-sq.-ft. to 500,000-sq.-ft. retail base, can be added without increasing the number of parking spaces. Similarly, a hotel of, say, 150 rooms, could be added without a notable impact on parking requirements, due to the differences in peak demand. For residential uses, of course, dedicated parking separate from the commercial parking is a necessity.

The description of a development as “mixed use” is already being stretched, partially due to the lack of a consistent definition. There is no specific answer to the question, “How many uses are necessary to make a project a mixed-use development”? Few industry players may be aware that the ULI created a definition for mixed-use more than 30 years ago. ULI says that a mixed-use project must have *three or more significant revenue producing uses; significant functional and physical integration of the different uses; and conform to a coherent plan.* This appears to reflect the development concept of the best, currently-available mixed-use projects, and can serve as a reasonable guide.

Mixed-use developments are more time-consuming to complete and more complex than traditional shopping centres. They are also more difficult to finance, and may generate complex liability issues. Technical conflicts can arise, with building configurations between retail and residential space, timing of construction components, sharing of utilities, common areas, etc.

Although usually initiated by retail developers, the non-retail components of mixed-use developments are frequently sold to other investors. Depending on the experience of the developer, some prefer to develop the total project, and then sell the non-retail components, whereas others invite co-developers from the beginning.

Successful mixed-use developments include a “main street” tenanted by small specialty stores. The main street usually permits parallel parking. Large stores are placed as end-caps. Current trends also include the addition of a single, freestanding, small-format, fashion department store. The inclusion of public green spaces and pedestrian walkways is essential, with fountains, street furniture and outdoor fireplaces playing a significant role.

One of the indispensable components of a mixed-use centre is the inclusion of an extraordinarily large selection and variety of sit-down restaurants. In fact, the restaurant category comprises between 12 per cent and 15 per cent of total space in mixed-use centres, compared to less than 5 per cent in regional malls. For example, at Crocker Park, there are 22 eating establishments, while Legacy Village has nine sit-down restaurants. Entertainment venues such as programmable public spaces, art galleries, cinemas and recreational facilities are commonplace as well.

The mix of uses, along with high-quality design features and synergy between adjacent buildings, create an ambiance and vitality, as well as security, that cannot easily be achieved within a standard retail configuration. Even though the addition of several hundred residents or office employees does not play a significant role in the total retail sales volumes of such a development, their presence creates a sense of place, somewhat similar to that found in the traditional villages of old town centres.

Future Directions

Mixed-use is more than the flavour of the month. It incorporates many of the features now demanded by an increasingly sophisticated and educated customer base, particularly in mid- to high-income areas. Concentrating shop, live, work and play in one area fosters walking and bicycling. Mixed-use developments tend to be more environmentally friendly than their single-use counterparts. Successful mixed-use developments are area-specific and reflect their local, unique environment. They are not ‘cookie cutter’ projects. Landscaping is used as a unifying element, and trees, flowers and foliage can provide geographic relevance.

Its logical extension would include a partnership with the local government to add more civic and cultural services, including public infrastructure (parks) and institutional (library, museum), medical and sports facilities, as well as educational uses (schools, universities and technical colleges).

Mixed-use developments are occasionally complemented by adjacent power centres as well as office clusters, thus focusing even more of the commercial services onto one specific location, encouraging the use of public transit.

Mixed-use developments can also facilitate the updating of traditional regional malls by converting part of the single use adjacent parking areas to higher-density developments. With land costs already absorbed, the financial implications of structured parking, to serve the additional uses, is an option that should not be overlooked by the owners of regional malls.

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New research could lead to more favorable regulatory treatment of projects that generate fewer car trips.

New urbanists have long contended that mixed-use projects are treated unfairly by the transportation-engineering establishment. The “trip generation rates” promulgated by the Institute of Transportation Engineers (ITE) fail to recognize that when offices, retail, housing, and other uses are brought together in walkable settings, people may drive substantially less.

ITE’s guidelines have almost certainly been costing new urbanist developers money — in unnecessarily high payments for traffic mitigation and roadway improvements. They have also made it harder for some projects to win the required approvals.

Within the next couple of years, this may change. Three important investigations, each with a somewhat different thrust, have recently been either completed or under way. Their purpose: to determine how large a traffic reduction is achieved by mixed-use or transit-oriented development (TOD). The results, it is hoped, will cause governments to assess the traffic impact of such projects more favorably — and will create more of an incentive for new urbanist development.

- Reid Ewing at the National Center for Smart Growth Research and Education at the University of Maryland led seven other researchers in studying traffic generated by mixed-use development in six large metropolitan areas. The team, which included Michael Greenwald, Ming Zhang, Jerry Walters, Robert Cervero, Lawrence Frank, Senait Kassa, and John Thomas, found that ITE’s trip-generation methods “understate the traffic benefits of mixed-use developments, leading to higher impact fees, exactions, and negotiated payments than should be the case,” Ewing says.

- Brian Bochner at the Texas Transportation Institute is leading a study that, if successful, will produce improved techniques for estimating how much traffic is generated by specific types of mixed-use development. Bochner, Robert Cervero, Kevin Hooper Associates, and Bob Dunphy of the Urban Land Institute are examining six land uses found in mixed-use developments — office, retail, restaurant, residential, hotel, and cinema. The team is measuring the traffic generated by various use combinations.

- A study conducted by PB PlaceMaking, Cervero, the Urban Land Institute, and the Center for Transit-Oriented Development measured vehicular traffic in 17 transit-oriented developments (TODs) in four urban regions across the US. The housing portions of those developments generated 44 percent fewer trips than the ITE manual suggests. In peak periods, the difference was even greater — 49 percent fewer vehicle trips in the morning and 48 percent fewer during the afternoon and evening rush hours.

Flawed current methods
Common sense says that when everyday activities are combined in settings that are convenient and comfortable for pedestrians, people have less impetus to drive. Residents may walk or bicycle from homes to stores, offices, and coffee shops or hop on a shuttle or a bus.

"Successful mixed-use development can reduce vehicle travel, needs for parking and street widening, and impacts on climate change and energy use," says Jerry Walters of Fehr & Peers transportation engineers, who served as project manager for the Ewing team's study. "However, prior to this study, the combination of ingredients for lowest-impact mixed development was not well understood, leading many traffic engineers to conservatively understate the benefits."

Most governments have been unwilling to credit mixed-use projects with cutting traffic, partly because there have been no widely authorized calculations of the effect of mixed uses on traffic.

ITE's current guidelines are based on six sites, all in Florida — a tiny sample. "The ITE definition of multi-use, embodied in these sites, is very limiting," Ewing says. "It seems aimed at lifestyle centers."

Ewing says his team's research, supported by the smart-growth program of the US Environmental Protection Agency, covered "hundreds of mixed-use developments in six diverse metro regions." It found that mixed developments generate substantially less vehicular traffic than conventional, single-use projects.

Transit-oriented development trip generation

City	% below morning peak ITE[1] rate
Washington, DC	59.9
Portland, OR	49.6
San Francisco, CA	47.5
Philadelphia/Newark[2]	30.5

Source: Transit Cooperative Research Program

[1] Institute of Transportation Engineers

[2] Two apartment projects near suburban commuter rail stations outside of Philadelphia, PA, and Newark, NJ

The study found that 17.8 percent of trips ending within mixed-use developments started in those same developments — thus relieving pressure on the external road system. Another 5.8 percent of trips to or from mixed-use developments were made on foot. Still another 5.6 percent were made via mass transit. Over all, 29 percent of the trips to and from mixed-use developments "put no strain on the external street network," the researchers found.

In the Houston area, 28.3 percent of the trips that started within a particular mixed-use development ended at another location in the same development. This "internal capture rate," as it's called, reached its lowest level in the Atlanta area, at 8 percent. The other areas that were examined — Boston, Sacramento, Seattle, and Portland, Oregon — had internal capture rates of 9.4 to 15.1 percent. Boston proved especially good at having people walk or ride mass transit; nearly 17 percent of those traveling to or from Boston area mixed-use developments did so on foot or on transit. For details on the six regions studied, see the table below. Particular mixed-use developments can achieve even higher numbers (see graph, at top of page).

Walters says this study is "the first comprehensive national look at all of the factors that contribute to successful mixed use, including the relative amounts of housing, retail and jobs, development sale and density, and transit proximity and walkable design." Ewing says the study, which is expected to be published by EPA and others, will give transportation engineers, developers, and governments better guidance than anything ITE has provided until now.

The study concluded that large mixed-use developments with a diverse array of activities "capture a large share of trips internally, reducing their traffic impacts relative to conventional suburban developments." Smaller mixed-use developments, when they are in "walkable areas with good transit access," cause more people to walk or use mass transit rather than driving, the researchers found. In both instances, car trips are cut down. The researchers' elaborate analysis sets forth a new methodology for more accurately predicting the traffic impact of such developments.

Stuart Sirota at TND Planning Group in Baltimore believes the new methodology is "a much-needed tool for helping traditional neighborhood developments and new urbanist projects to be treated differently than sprawl projects." It "will help them get through the tortuous traffic impact study process that most development projects of any size are subject to," Sirota says.

"Some analysts have identified a serious 'suburban bias' in the current ITE rates," says G.B. Arrington, principal practice leader at PB PlaceMaking in Portland, Oregon. "Auto trip generation is likely to be overstated for TODs."

If standards based on recent research are introduced, developers of residential TODs would likely be charged as much as 50 percent less in fees and exactions, reflecting the actual traffic performance of their projects, Arrington says. "For instance, a 700-unit condominium development proposed for a city in California could see its traffic impact fee reduced by half — from $4,500 per unit to $2,250 per unit." The developer would save $1.6 million, presumably making the units more affordable.

Overhaul at ITE

All three studies were scheduled to be presented at the ITE annual meeting Aug. 17-20 in Anaheim, California. The next step will be to incorporate the studies' results into ITE's "Trip Generation Report" — a large collection of data relied upon by zoning board officials, developers, and others who want to know how much traffic a project will generate. The report documents vehicle trips associated with specific, single land uses.

"We're now in the process of updating the Trip Generation Report," says Lisa Fontana Tierney, traffic engineering senior director at ITE. The revised Trip Generation Report is expected to be released in November.

Auto trip reduction in mixed-use developments

Region	% Internal Capture	% Walk Share	%Transit Share
Atlanta	8	3.2	2.1
Boston	9.4	13.2	3.7
Houston	28.3	2.7	5.2
Portland	13	7.1	3.3
Sacramento	15.1	1.8	0.2
Seattle	11.2	4.7	8.7

Source: Study by Reid Ewing, Michael Greenwald, Ming Zhang, Robert Cervero, Lawrence Frank, Senait Kassa, Jerry Walters, John Thomas

That will set the stage for ITE to start revising the *Trip Generation Handbook* around the beginning of 2009. The *Handbook*, a manual that tells how to apply the data in the Trip Generation Report, is especially important because it presents recommendations, not just figures. It contains instructions for dealing with what Bochner calls "special land uses," such as mixed-use projects. Updating of the *Handbook* is a complicated, multi-step process that will take "at least a year," Tierney says.

Bochner says accurately forecasting traffic volumes to and from a mixed-use development is complicated by the variety of these projects. "Most mixed-use developments include three uses," he says. "Often they include four, and sometimes all six uses." The proportions of the various uses differ from one project to another.

The methods that Bochner's team has developed take into account what the balance of uses is. Researchers have struggled with questions such as whether it's important to know what kinds of restaurants will be in a project. Presumably the traffic generated by high-volume fast-food restaurants is not the same as the traffic produced by fine-dining establishments.

His project, which began more than two years ago, focuses on six locations. Most were projects overseen by a single master developer, the largest encompassing a few hundred acres. A draft report is expected to be completed by the end of this year. Ewing's study looked mainly at larger areas, from a half-square-mile to several square miles.

"All three studies will get a lot of attention and use," Bochner believes. "CNU has been very interested in these."

Variations within TODs

The study that Arrington led was conducted for the Transit Cooperative Research Program and is expected to be available in mid-October. With pneumatic tubes stretched across driveways, it counted traffic in 17 predominantly residential TOD projects in Philadelphia/northeast New Jersey; Portland, Oregon; metropolitan Washington, DC; and the East Bay of the San Francisco region. See the table on the previous page for details.

The biggest reductions in auto traffic were found in mid- to high-rise apartment projects near Metrorail stations outside DC, Arrington says. TOD housing around Portland also produced much less weekday traffic than the ITE manual suggested.