

Retailers return to once-shunned urban neighborhoods and older suburbs By David Goldberg

# Commercial Comebacks

In the last few years, a veritable stampede of Americans has returned to city and older suburban neighborhoods in search of shorter commutes and fun things to do, only to spend Saturdays in the place they thought they'd left behind: the newer suburbs.

It turned out that doing a week's shopping at lower-than-stratospheric prices meant schlepping out to where the grocery chains can build their preferred massive footprints. To make a run for building supplies or home-life sundries you had to queue up for the ol' exit ramp.

For years, the less-than-preferred demographics and physical constraints of inner-city neighborhoods kept retailers at bay. Residents of older suburbs, meanwhile, saw their options shrink as the strip centers of the 50s, 60s and 70s fell out of favor and the chains chased affluence out to the next cornfield. As close-in areas draw new residents, however, a new generation of mixed-use, higher-quality shopping environments is starting to emerge.

It's not happening by accident. Savvy local governments are going after it, realizing that for urban and inner suburban neighborhoods, attracting retail and achieving the right mix of shopping and residential hold the key to revitalization, stability, walkability and livability. But for the first time, they're finding retailers to be receptive.

From Atlanta, where one of the largest redevelopment projects in the city's history will bring IKEA and a host of other retailers to the heart of the city, to Chicago, with the first multi-story Home Depot, to Washington, D.C. and its retail renaissance, major retailers have discovered urban neighborhoods in a major way.

"There are a couple reasons why this is a growing market," said Cindy Stewart, director of local government relations for the International Council of Shopping Centers. "The suburbs are saturated and developers and

St. Louis Park, Minn.

retailers are looking for new markets, and those really are old markets that may be undergoing a rebirth. And the other is that when you go out to the green space there are a lot of growth management laws in place that make those projects more difficult to do."

According to Stewart, the fastest-growing sector of her retail association's membership is in the public and nonprofit sectors — local governments and community organizations working on commercial restoration. In addition to larger cities, many of them are older suburbs trying to redevelop strip corridors not just as a place to shop, but as a place to be: mixed-use, walkable neighborhoods with a Main Street feel.

Below, we visit four places with interesting twists on the retail revitalization story: Washington, D.C., a large city that partnered with business to create a marketing center that is drawing retail back to revitalize neighborhoods that have been woefully under served; Fruitvale Transit Village in

Oakland, CA, where a nonprofit, community-based organization in a large city has taken the lead in revitalizing a commercial corridor; St. Louis Park, MN, an inner-suburban city that created a vision for a new town center and hired a retail developer to pull it off; and Baltimore County, MD, a suburbanized county that has created an innovative program to redevelop its aging commercial corridors into revitalized mixed-use centers, putting community participation at the fore.

### Washington, D.C.: Retail revitalization in Columbia Heights

In many ways, Washington, D.C. is a clear success story. The capital city has stopped its population loss, with 41,000 housing units built or added to the construction pipeline since 2001 and many formerly-distressed neighborhoods on the upswing. Still, city officials found that the population remained somewhat transient, in large part because basic goods and services continued to lag behind. Attracting retail, then, has become a critical means of stabilizing those neighborhoods and making them lively and livable.

That led Mayor Anthony Williams and a partnership of D.C. business players to create the Washington, D.C. Marketing Center, whose job it has been to lure back skeptical retailers, said Michael Stevens, the center's CEO. After meeting with industry representatives, the public-private

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St. Louis Park, Minn.



Fruitvale Transit Village, Oakland, Calif.

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nonprofit built a huge database, he added. "We compiled all the retail opportunities into a single resource, and posted them on our Web site. We have profile sheets, one page front and back, with contact people, maps and photos for 39 neighborhood clusters and 128 neighborhoods. We know the demographics and traffic counts."

Even that wasn't enough when it came to marketing a neighborhood such as Columbia Heights. The Census and other conventional market analyses still showed it to be a bad bet for business. That's when Stevens brought in Social Compact, a nonprofit that performs "drill down" analysis to gauge the true buying power of urban neighborhoods.

"The neighborhood, because of the population density, had a tremendous amount to offer in buying power because it wasn't adequately served," said Karin Ottesen, president of Social Compact. The analysis found that the neighborhood had thousands more households and neighborhoods than the Census counted, and way more disposable income than anyone imagined. Less than a third of the aggregate buying power of the 78,000 residents was being spent locally, meaning that \$424 million each year was being spent outside the Columbia Heights market.

That information helped the city put together a deal to build Tivoli Square at the corner of 14th Street and Park Road. The project includes a Giant Foods — an urban rarity at 53,000 square feet — and the restoration of the classic and long-dormant Tivoli Theater. An additional 25,000 square feet of shops are lining 14th St., and 28,000 square feet of office space occupies floors above.

Tivoli Square so changed the tenor of the retail environment that the area has attracted the largest retail project in D.C., which will mix regional and national retailers, such as Target and Bed Bath and Beyond. Soon to begin construction, the 465,000 square-foot project will include restaurants and a health club.

For more information, please see: <http://dcmarketingcenter.com>.

### **Oakland, Calif.: The Fruitvale Transit Village**

At one point in Oakland's heyday, the Fruitvale district's International Boulevard was the equivalent of a second downtown. But that all began to change when a rash of highway building drained much of the population to the suburbs, said Arabella Martinez, the recently retired head of the district's Spanish-speaking Unity Council.

By the early 1990s, when Martinez had



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returned from a stint in the federal government, "Fruitvale had become a very unattractive neighborhood and it was just filthy dirty," she said. Having founded the Unity Council in the 1960s to promote Latino opportunity throughout the Bay Area, she found the organization's own neighborhood so benighted that she felt compelled to make a cause of its resurrection.

"As a first step, we decided that we absolutely had to change the commercial district," she said. Not only was International Boulevard dilapidated, but the district was getting little benefit from a nearby BART rail station that was unconnected to the commercial district and surrounded by nothing but parking. To make matters worse, BART was planning yet more parking in a poorly-conceived garage.

The Unity Council rallied the community to demand something better and have a say in what that might be. After the numerous community sessions, the Unity Council decided to try to develop a transit village on BART's parking lot. Martinez's group reasoned that a plaza lined with appealing shops and restaurants, designed to serve both the neighborhood and transit commuters, would both link the commercial district to the transit station and provide a venue for community festivals. The addition of housing units would help add life and customers to the streets, and planned office space would bring jobs to the district.

But few officials and lenders would believe the project had a chance until International Boulevard itself began to get the facade and streetscape

improvements that had been recommended by a university study team. "The cosmetic improvements created the impression that things were happening, that the area was on the upswing," Martinez said. In addition, a business improvement district was created to pay for street cleaning, monitor crime, police liquor outlets and remove graffiti.

In order to assure lenders of anchor tenants, the Unity Council arranged to move their own offices and several other community-service organizations into the office space. Negotiating the parking in order to replace BART slots and serve the stores and offices proved another lengthy and difficult process, Martinez said.

Picking the right mix of retail also was important, and required community input. Restaurants came first, in part because they draw people to the streets at night, when visitors feel less secure. "We allocated only 20 percent of space for national chains," Martinez said. "There were enough fast-food restaurants in Fruitvale."

Today, with the phased construction all but complete, the area has been transformed. "You see tremendous numbers of people shopping, and you don't see all the security bars on the storefronts. The district went from a vacancy rate of about 40 percent in 1990 to one percent now."

"All evidence is that the strategy to focus on the retail worked," Martinez said. "I have to say, I'm living my dream."

For more information, please see: <http://www.fruitvalevillage.net/> or <http://www.unitycouncil.org/transitvillage.html>.

### Baltimore County: The Renaissance Redevelopment Pilot Program

Like a lot of suburban areas that mushroomed after World War II, Baltimore County, MD is pocked with over-the-hill commercial corridors that can't compete with newer developments eating their way into the county's much-loved countryside. As County Executive Jim Smith sees it, that dynamic has to change in a hurry.

"I don't think our county can thrive without a renaissance of the older neighborhoods and local business districts in the beltway communities along I-695," said Smith. At the same time, conventional development is not creating the future residents want, he added.

"Walkable, mixed-use communities are something that a lot of people want. But our conventional suburban zoning is not set up to give them that," Smith said. "I know that it is more expensive and difficult to develop in older areas than in a lush, green cornfield. Therefore I knew we were going to have to have incentives to attract business to these places."

Enter the Renaissance Redevelopment Pilot Program. Established earlier this year after more than a year of public discussion, the program sets up "opportunity areas" where developers are free

to mix retail and residential without navigating dozens of regulatory hurdles. The catch — though it's more likely an advantage — is that the developer's master plan has to be developed through a seven- to 14-day charette, a public design workshop whose end product becomes the official template for the project. Plans also are to be accompanied by a "pattern book" that establishes the design features that the community and developers agree they'd like to see.

"We have to have a way where the developers and communities can come together early and collaborate on a vision for a particular site," Smith said. "The developer can then move forward, and the community can believe that the plan they've worked on will be built." Under the enabling legislation, the plan must be approved by 80 percent of participants in at least two charette sessions. Those can include any interested citizen, as well as the development and design teams.

Though the program is still too new to have generated its first project, the county recognizes developers are likely to need other incentives beyond liberalized zoning rules. The Renaissance program will be augmented by other strategies, including tax abatement and redevelopment grants, and potentially, the county's first use of tax

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increment financing. All are likely to be necessary to rejuvenate aging strip corridors, said deputy planning commissioner, Jackie MacMillan. "You can only upgrade strip centers so many times. The county has a number of shopping centers that are very under-used or completely abandoned. So we have all this under-used land, and we have to find a better way to use that."

For more on the program, please visit: <http://www.co.ba.md.us/Agencies/planning/renaissance/index.html>.

### **St. Louis Park, MN: A new town center at Excelsior & Grand**

Though it was born as a streetcar suburb of Minneapolis, for most of its life St. Louis Park has had a drive-through downtown. The town of 44,000, located seven miles west of downtown Minneapolis did most of its growing in the decades after World War II, and grew mostly houses and strip centers along corridors such as Highway 100. By the early 1990s, when the main commercial strip had declined to a collection of pawnshops, check-cashing storefronts and barely solvent retailers, the city fathers and mothers decided it was high time for a downtown.

"People really wanted to have a place in their community where they could go and just hang out, a real town center," said Richard McLaughlin, the

architect and town planner who in 1996 conducted one of the first public-design workshops for the area around the intersection of Excelsior Boulevard and Highway 100. From that exercise emerged the concept of a shopping district surrounding a town green, with housing options included. St. Louis Park began piecing together 16 acres for redevelopment and put out a call for interested developers.

To their disappointment, they found very little expertise in combining retail, civic uses and housing. Their first developer, a mass-production home-builder, could not figure out how to make the project work, even after scaling back the town green and removing the proposed civic building.

In 2000 the city hired TOLD Development Company, which was experienced in retail and redevelopment, but not residential. But the developer was convinced that getting the retail atmosphere right would be the key to success, said TOLD Principal Bob Cunningham. They pushed ahead, breaking ground just after 9/11 on 100,000 square feet of retail and an eventual 660 housing units. Their faith paid off, Cunningham said.

"What's really attracting people to live there is the mix of retail, because that enhances their lives," Cunningham said. "We've built 338 apartments; we've never dropped below about 94 percent occupancy. We finished 124 condos just recently and there are only two units left." The

retail is a mix between locally-owned and national chains. It includes a daycare, a Pier One store, a pair of sit-down restaurants, a fast-food Mexican restaurant, Panera Bread Company, Starbucks and locally-owned boutiques.

The key to the project was the town's willingness to assist in building structured parking and allowing less of it because some could be shared among uses. The city also used tax-increment financing to help pay for the town green and streetscapes, including brick pavers for sidewalks. Financing was perhaps the trickiest part, TOLD said. "Lenders are still either apartment, condo or retail lenders. Most don't do mixed use. But this is a product type whose time has come. They'll get it and jump on the bandwagon, they're just not there in force yet."

For more, please see: <http://www.excelsiorand-grand.com/main.html> or <http://www.stlouispark.org>.

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**RETAIL IN THE CITY: SOME TIPS FOR GETTING IT** — As head of the Washington, D.C. Marketing Center, Michael Stevens has been instrumental in luring retail back to the city's underserved neighborhoods. Here are his tips for other communities:

- First of all, local executives and council have to buy in. It takes money, other resources and human capital.
- You need an organization that will be the information clearinghouse and first point of contact for retailers. Caution: Creating it isn't easy.
- Develop a retail attraction plan: Do you need grocery-anchored or department-store-anchored centers, or neighborhood corridors?
- Retailers are looking for a deal. Incentives: Land, tenant finish-out funds (we use TIF funds); tax abatements; and/or job training funds for local residents.
- Identify and market your opportunities: Suburban markets have a finite number of sites now and there is a backlash against "big box."
- Cities need to know: True household income in neighborhoods, what's really being spent in the cash economy, accurate population counts and aggregate buying power.

**A NEW RETAIL DOCTRINE** — Though change has been building for several years, one of the strongest signals yet of a fundamental shift in retail doctrine came in a session of the International Council of Shopping Centers last December. It was there that Robert Stoker, senior real estate manager for Wal-Mart, declared that, "We've reached a stage where we can be flexible. We no longer have to build a gray-blue battleship box."

Wal-Mart is not alone, of course, either in its new willingness to adapt to more urban environments or in its long resistance to veering from a formula that has held since the 1960s: A single-story building on a major arterial road surrounded by asphalt.

"In 1960, if you had 200,000 square feet of retail, it would have a footprint of about one acre in a multi-story building," said Ed McMahon, a senior fellow at the Urban Land Institute who has written several arti-

cles on commercial design trends. "Until very recently, that same 200,000 feet would be in one story and cover three to four acres, fronted by 20 acres of parking."

With many suburbs saturated with "big box" and other retail, we're now seeing two divergent trends, experts said. In the low-density exurbs, the new stores and their parking lots are larger than ever so as to draw motorists from many miles around. At the same time, retailers now see the virtue of high-density markets with plenty of customers close at hand. But capturing it requires resurrecting and updating the designs from the earliest days of department stores — multi-story stores in buildings with locally-compatible architecture.

Target stores were among the earliest to adapt. The company's flagship store in Minneapolis is four stories, and the chain has two-story stores with structured parking in Atlanta, Gaithersburg, Md. and several other places. Home Depot recently opened a three-story in downtown Chicago. Wal-Mart itself as a two-story store in a mixed-use setting in Long Beach, Calif. and will occupy two floors of a mixed-use high-rise in Rego, N.Y.

Mixed-use, urban projects are popping up all over these days, said Cindy Stewart, director of local government relations for the ICSC. "You still see lifestyle and power centers, but retailers going after that urban market are going into projects that also have housing, because there's such a strong need for both." Being part of a neighborhood raises triggers, a range of design considerations from architecture to placement of loading docks to masking the parking decks.

But it can be worth it: Foot for foot, urban stores often out perform their suburban counterparts, Stewart and others said. Increasingly, retailers are recognizing what McMahon calls the place-making dividend: "People will stay longer and spend more money in places that actually earn their affection," he said.

"Strip shopping centers are retail for the last century," McMahon added, "and mixed use is the retail environment for this century."