



January 2004

Getting to the Bottom of Mixed Use

Good ground floor retail is the key to success.

By Jim Schutz, AICP, and Kelly Kline

Mixed-use development is back in style. Prominent in our earliest cities, this classic planning concept has reemerged as a tool to animate neighborhoods and revitalize urban areas. One element remains elusive: designing quality retail space.

The design and configuration of retail space may determine an entire project's ultimate success or failure. Further, over time, projects become known for what is on the ground floor.

Well-designed retail space (see below, "Ten Steps to Flexible Retail Space") is essential to attract quality tenants — defined here as tenants that are credit-worthy, can pay higher lease rates, and add the most vitality to a retail area.

The suggested guidelines apply equally to mega mixed-use developments and smaller scale, neighborhood-serving retail. After all, for every CityPlace (West Palm Beach) or Santana Row (San Jose), there are hundreds of smaller mixed-use projects requiring flexible and quality design in order to succeed.

Retail design

The main premise of retail design should be to view the ground floor space as a center of urban activity. Often this premise is ignored. "In downtown Los Angeles, you see many buildings where the ground level is nothing more than a structure for the upper floors," says Jeff Kreshek, leasing director for the mixed-use developer CIM Group of Hollywood. This approach fails to capitalize on the importance of place making.

Urban place making refers to the creation of vibrant, pedestrian-friendly areas with a mix of complementary land uses. In terms of retail, place making means shopping or dining that is less about selling and more about creating an experience. Howard Elkus, principal of Boston-based Elkus/Manfredi Architects, used these concepts at CityPlace, a mixed-use town center in West Palm Beach, Florida. CityPlace currently has 632,000

square feet of retail space, 582 housing units, and plans for 750,000 square feet of office and a 375-room hotel and convention center.

Regarding the mix of uses, Elkus says, "CityPlace grows from the retail, which gathers all uses together and activates all of the main spaces." An arcade was provided for weather protection, and ceiling fans were added to make browsing more comfortable and enticing. Elkus varied facade details such as arches, columns, lighting, and paint colors to give the illusion of many small buildings.

Retailers that had been identified during the design process provided input as well. Pottery Barn preferred a two-story look on a one-level store. Restoration Hardware asked for specific window proportions and colors. Other tenants influenced feature elements, the use of balconies, signage, graphics, and how the outdoor space was used.

Successful smaller scale developments include those created by AvalonBay, a nationwide apartment builder with two projects on The Alameda in San Jose, California. Together, the two projects include 523 housing units and 21,300 square feet of fully leased retail. Retailers include national chains like Blockbuster Video and Starbucks and local tenants like Riga Bakery and Seven Restaurant. Charlotte Strain, senior director of retail for AvalonBay, attributes the projects' success to the developer's interdisciplinary, roundtable approach to project planning and an in-house database of retail do's and don'ts.

The floor-to-ceiling heights were designed at 15 feet, the bay depths at about 50 feet, and details like window size, column placement, retail parking, vent shafts, and signs were pre-planned. If columns are set back from the retail storefronts by even as little as two feet, the space becomes more flexible. Strain warns that if design details are not thought out in advance, the result can be a disaster.

Pay now or later

Adopting proven design standards to attract quality retail may sound simple, but developers, owners, and architects face a number of pressures that make the task more complicated. Because projects need work to be financially successful, developers may not be able to justify higher upfront costs to attract retail tenants. This is especially true if the developer intends to sell the property after construction.

Skimping during construction, though, can lead to lower retail rents, vacant retail spaces, and higher costs to retrofit completed space with new amenities. These consequences are not limited to the retail component of the



project. Residential returns are also linked to the success of the retail space. Jan Sweetnam, vice-president for Federal Realty, reports that Santana Row has received 20 percent more on residential lease rates due to the high quality of the mixed-use environment.

Other retail design features and amenities fall prey to the "last dollars syndrome." Marilyn Hansen, senior associate at Grubb and Ellis, is responsible for leasing the retail space at the Esplanade, a mixed-use project of 278 housing units and 5,500 square feet of retail in San Jose's Japantown. Because the project was running over budget, the retail space was left unfinished. Hansen estimates a retailer would have to invest around \$35,000 on plumbing, restrooms, and electrical before a dime is spent on tenant improvements. The spaces are vacant with no current prospects due to the upfront costs, she says.

Linda Berman, a retail strategist in Los Angeles, laments this approach. "In the best developed projects, the devil is in the details," she says. "Value engineering that takes out the details takes out the soul with it. This is the greatest mistake developers make."

Retail markets

Another pressure on retail space occurs when local governments require ground floor retail in a questionable market. "As much as we'd like retail to be everywhere, there are some streets in the evolution of a city where we just know it doesn't work," says David Nieh, AICP, lead architect for the San Jose Redevelopment Agency. Two considerations in deciding whether a location works for retail are accessibility and maturity — with established retail districts having the best chance of success.

Even in a weaker retail market, focusing on high-quality design may get the space filled in the short run, with superior tenants taking over the space as market conditions improve. AvalonBay senior development director David Lynn, AICP, notes that San Jose planners required ground floor retail on The Alameda while the housing market was booming.

"Had we been asked if we wanted to put retail there, the answer would have been an emphatic no," Lynn says. But as the project was being planned, market conditions changed. The retail is now completely leased and earning more per square foot than the residential space.

Developers also need to view their project in context of the entire street. In cases where there are multiple owners, it is critical to ensure the retail uses are compatible. Berman says that for urban projects to be successful, they

"need to approximate a street environment, offering more of a mix to meander and discover."

Interweaving uses

Mixed-use projects naturally require compromises. The trick is to design each use as a key component of the project, instead of designing for one use to the detriment of the others. Housing developers and architects often think of retail as a secondary use. Nieh explains, "In housing studio at architecture school, housing is first and retail is that nebulous space at the base of the building that you are supposed to fill, but that expertise has not been emphasized — because many teachers haven't done it."

Linda Crowley, president of Urban Street Advisors in Newport Beach, California, is both a retail broker and a mixed-use developer. The conflict of these roles is a battle she fights every day. "Typically, the developer leads the deal, and the architects look to them for direction," she says. "From a retail perspective you have to say, 'Here's what I need' and establish minimum design criteria."

Lenders can also create challenges for projects with multiple uses. They can be unfamiliar with mixed-use or be predisposed against one or more of the planned uses because of anticipated risk. They can also require pre-leasing before funding a loan. On the other hand, Jeff Kreshek has found that retail leases with credit-worthy tenants can make lenders more confident. It is also generally true that retail tenants have less turnover than residential tenants, and provide more stable income flow.

Are guidelines the solution?

Given the importance of ground floor space, the competing needs of mixed uses, and the many design challenges inherent in these projects, government entities are considering retail guidelines to ensure better functionality. Crowley warns that cities without them may encounter problems because each developer has a different understanding of what retailers need.

Barry Elbasani, principal of ELS architecture in Berkeley, California, argues that guidelines are unnecessary. "Thirty years ago, you needed control over the chaos," he says. "Architects weren't as good at designing retail space. Now, however, most architects do better than you can prescribe." If cities decide to create guidelines, flexibility is key as every building, development, and tenant is different. Retail needs can also change dramatically over time.

In developing successful guidelines, it is important to make sure there is the community and political will to back them up. In the actual document, using

a conditional tense allows for broader interpretation, and case studies and graphics can enhance usability.

Defining success

How do you know when you've succeeded in blending a mix of uses? Crowley's answer is, "It all works. You've attracted the right tenants, sales are good, and the project fits in with the neighborhood." Elbasani ranks Water Tower Place in Chicago as a prime example. "It's a balance between the fun of retail and the seriousness of the use on top," he says.

Federal Realty's Santana Row is frequently cited as an example of successful mixed-use. Since opening in November 2002, Federal has leased 95 percent of its residential units and retail space, and the community has embraced the project.

Ironically, the project that people are pointing to as a model is the last of its kind for Federal Realty, a real estate investment trust (REIT). Sweetnam reports that the firm is going back to its core competency — more traditional, retail-only centers. Geoffrey Booth, director of retail development for the Urban Land Institute, argues that this indicates a problem with the financing, not the format, as REITs can be too conservative a vehicle for large mixed-use projects.

Of all the different land uses, retail is the most fluid. For developers who enter the mixed-use realm, there will be extra work in keeping up with the changing retail environment. Trend watchers say that the look and presentation of retail is only gaining in importance. Berman predicts, "An environment that feels good and is more personal will be rewarded by the customer with a purchase."

The future may also bring a broader definition of what should activate ground floor spaces, expanding into more community-based concepts such as education and events. These changes reflect the higher costs to recruit retail tenants, a yearning for authentic street environments, and a desire to find new avenues for social interaction.

Regardless of the particular look and feel of future ground floor concepts, flexibility in retail space design will allow mixed-use projects to adapt to changing needs and create the vibrancy that is the source of their popularity.

Jim Schutz, AICP, is a Planning and Development Manager and Kelly Kline is a Senior Development Officer for the San Jose Redevelopment Agency.

Ten Steps to Flexible Retail Space

- **Height.** Provide 14- to 18-foot clear finished height to accommodate heating and air conditioning, sprinklers, and so on.
- **Layout.** Provide maximum clear space between columns, and a minimum number of columns within the ground floor activity spaces. Bay depths should be a minimum of 30 feet, and preferably, 50 to 60 feet. Corners should be reserved for retail uses. Columns, elevators, and stairs should be located elsewhere.
- **Utilities.** Provide tenants with state-of-the art, conveniently located utilities and stubs that are not visible to pedestrians. Consider including an adequate electrical supply, plumbing, gas service, grease interceptors, and backflow preventers.
- **Servicing and trash.** Provide internal service space for deliveries and loading that is separate from the front entry, enclosed, not visible to pedestrians, accessible from a secondary street, and appropriately sized for common use. Odors from trash should be confined.
- **Lighting.** Provide adequate power for interior lighting of active ground floor uses, including retail tenant signs and storefront windows. Develop an exterior building lighting package to address street level lighting for the sidewalk and outdoor patio.
- **Signage.** Provide a generous area for signs — preferably 2.5 square feet of space per linear foot of occupancy frontage. Provide a pedestrian signage program, which includes signs that are visible at street level, such as blade signs, window signs, and awnings.
- **Facade.** Facade design can vary but should provide maximum visibility and transparency, and have a distinct look from the uses above. The design should include adequate frontage, lighting, awnings, signage, and entrances. Setbacks and recesses should be minimal.
- **Floor and ceiling structure.** Unless there is parking at sub-grade levels, the ground floor level should be left unfinished (no concrete slab) to accommodate utilities and leasing plan flexibility. Likewise, consider leaving off the ceiling grid until a tenant is identified, as some prefer a more industrial look.
- **Sidewalks.** If possible, provide a minimum clear zone of 15 feet of sidewalk width to accommodate exterior patio and sidewalk dining at the most viable locations.

- **Parking.** Allow space for valet parking and passenger drop-off and pick-up. If the project includes on-site parking, consider retail-designated spaces and allocate spaces for valet staging and parking.