

FAIRMOUNT RETAIL DISTRICT RESEARCH AND BUSINESS RECRUITMENT PROJECT

Work Product Four:

What Makes for Successful Retail Development Around Transit Stations:

Literature Review and Case Study Assessment

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Prepared for:

Fairmount Indigo CDC Collaborative

Prepared by:

**Tufts University, Students of UEP 271 Community Economic
Development Class: Gabriel Holbrow, Matt Missett, Anh
Nguyen, Jesse Steadman, Katherine Walsh**

Under Direction of Peg Barringer, Adjunct Faculty, Graduate
Department of Urban and Environmental Policy & Planning

CONTENTS

What are the ingredients for retail development?.....3

Does transit increase market potential?.....4

Does transit increase retail development potential?.....12

What factors inhibit or encourage retail development near transit.....14

What tools encourage retail development near transit.....18

Case Study: Fruitvale - Oakland, CA21

Case Study: Lake Street Station, Minneapolis29

Summary of Findings32

Suggestions for Fairmont.....34

Endnotes.....37

Appendix:

Which types of businesses seem most appropriate near transit stations?.....49

PURPOSE AND PROCESS

Purpose

To better understand the implications and opportunities for retail development along the Fairmont Corridor in Boston, Massachusetts.

Process

- Researched peer-reviewed and practice-based literature to understand how the addition of rail transit affects opportunities for retail development.
- Studied two domestic cases of transit-oriented development (TOD): Lake Street, Minneapolis and Fruitvale, Oakland.
- Interviewed key informants to supplement case study research.
- Conduct visual assessments of Boston area transit stations to identify retail characteristics.

QUESTIONS ADDRESSED

1. What are the **ingredients** for retail development?
2. Does transit increase **market potential**?
3. Does transit increase **retail development potential**?
4. What **factors** inhibit or encourage retail development near transit?
5. What **tools** encourage retail development near transit?
6. Which **types of businesses** seem to be most appropriate near transit stations? (Addressed in Appendix.)

1. WHAT ARE THE INGREDIENTS FOR RETAIL DEVELOPMENT?

Sufficient Amount of Potential Customers within the Trade Area

- The trade area is the geographic area from which a community generates approximately 75% of its retail customers.¹

Available Land and/or Underutilized Buildings

- Vacant or underutilized land in contiguous parcels often provide better development options.²

What are the Ingredients for Retail Development?

Market Potential

A strong customer base is important for business growth

“Demand has to be present for any type of retail development to succeed, irrespective of whether it is within a TOD project or not.”³

“Just because you build it doesn’t necessarily mean people will come.”⁴

- The potential demand depends on the type of neighborhood and housing stock in an area.⁵
- Retail potential is influenced by the supply of existing retail in the trade area.
- Demand is focused on expected expenditure patterns and income of residents.⁶

What are the Ingredients for Retail Development?

Market potential for retail demand is closely tied to the population profile.

According to one study, the estimated Households Needed to Support Different Retail Types:⁷

Retail Type:	Retail Square Feet:	Required Households:
Corner Grocery Scale	15,000	1000
Small Neighborhood District	30,000	2000
Large Neighborhood District	100,000	6750

* Based upon assumptions regarding retail categories most frequently found in neighborhood centers and a reasonable capture rate.

2. DOES TRANSIT INCREASE MARKET POTENTIAL?

Four Opportunities for New Market Potential⁸

- **Commuter Opportunities**
Market potential of commuters from the neighborhood who use the transit.
- **Destination Opportunities**
Market potential of visitors who use the transit to access the business district.
- **Increased Buying Power Opportunities**
Market potential of neighborhood residents who save on transport costs and have better access to higher-income employment by using the transit.
- **New Resident Opportunities**
Market potential of new residents and increased population density due to residential real estate development created by the transit station.

Does Transit Increase Market Potential?

New Resident Opportunities are the most significant.

- Commuter Opportunities
- Destination Opportunities
- Increased Buying Power Opportunities
- **New Resident Opportunities**
Market potential of new residents and increased population density due to residential real estate development created by the transit station.
- Remember the real estate adage: “**Retail follows rooftops.**”⁹
- Studies¹⁰ remind us that:
 - Retail is “not a primary driving land use for TOD.”
 - **Housing** is the primary driving land use for TOD.
- All four opportunities are real, but New Residents Opportunities are **much larger** in all nearly all situations.
- Projects should not assume that transit service alone can generate retail demand.

Does Transit Increase Market Potential?

COMMUTER OPPORTUNITIES

How does the presence of transit commuters passing through the business district affect the retail market potential?

How much do transit users from the neighborhood spend in business districts near stations?

- Past studies indicate only **modest** spending.
- Concessionaire in BART (California) estimates only 3% of riders make purchases, average \$3.50 per purchase (= **10.5 cents per rider** counting total ridership).¹¹
- Convenience retail in transit stations **requires a very high levels of traffic.**

“It’s very difficult to make a living on a station with annual traffic lower than **500,000 people.**”

– Managing director of a retail chain which operates convenience stores in rail stations the U.K.¹²

Does Transit Increase Market Potential?

COMMUTER OPPORTUNITIES

How does the presence of transit commuters passing through the business district affect the retail market potential?

What types of businesses do transit users from the neighborhood typically patronize?

- Commuters buy **convenience goods** such as coffee, beverages, flowers, sundries, sandwiches, pizza, bagels, pastries, etc.¹³

Challenges for Retail that Relies on Commuters

- Developers **often over-estimate** the retail potential of commuters.¹⁴
- Transit users have a tendency to **rush by without buying**. Uninviting station architecture can encourage this tendency.
- Commuter spending can be **boosted by inviting landscaping** and design that directs riders through retail areas near the station.

Does Transit Increase Market Potential?

DESTINATION OPPORTUNITIES

How does the accessibility of the business district affect its potential as a retail destination?

Challenges for Destination Retail that Relies on Transit

- Transit may expand a potential trade area, but most people in the trade area will still be **outside the transit corridor**. They will access the retail center by car or on foot.¹⁵
- Transit-dependent consumers may be **less likely to travel to destination shopping** than consumers with cars.¹⁶
- Past experience indicates that comparison retail is generally **auto-oriented**.¹⁷

Conditions Required to Attract Destination Customers¹⁸

- Unique goods and services that are **not available closer**.
- Customers need to have **knowledge** of the available businesses.

Does Transit Increase Market Potential?

DESTINATION OPPORTUNITIES

How does the accessibility of the business district affect its potential as a retail destination?

What types of businesses do transit users from outside the neighborhood typically patronize?

- Comparison goods that are relatively easy to carry, such as **clothing** or **accessories**.¹⁹
- Restaurants, especially **unique or ethnic restaurants**.²⁰
- Not large-scale shopping centers, because of the inconvenience of carrying bulky or heavy items.²¹

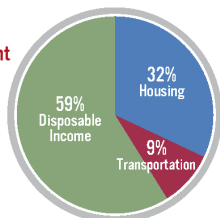
Does Transit Increase Market Potential?

INCREASED BUYING POWER OPPORTUNITIES

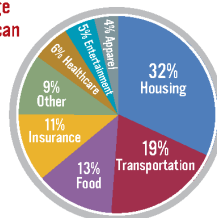
How does the addition of a transit service affect the amount of money that residents have available to spend on retail?

Proximity to transit lowers households' transportation costs.

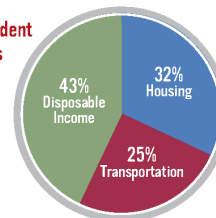
Location
Efficient
Environment



Average
American
Family



Auto-
Dependent
Exurbs



- Average family income spend on transportation is **9% in transit-rich neighborhoods**, compared to 19% nationwide, and 25% in “auto-dependent exurbs”.²²

Does Transit Increase Market Potential?

INCREASED BUYING POWER OPPORTUNITIES

How does the addition of a transit service affect the amount of money that residents have available to spend on retail?

Proximity to transit can increase overall neighborhood income.

- Transit can provide better access to higher paying employment for residents.
- A study of 42 transit-rich neighborhoods showed that **Median Household Income** in the neighborhood **tends to rise** after the transit arrives.²³
- However, these neighborhoods also show high rates of **in-moving**, suggesting that the increase in household income is due mostly to higher-income households moving into the neighborhood, and not to increased incomes for current residents.

Does Transit Increase Market Potential?

INCREASED BUYING POWER OPPORTUNITIES

How does the addition of a transit service affect the amount of money that residents have available to spend on retail?

Do lower transportation costs lead to an increase in consumer spending?

- Not automatically. **Higher housing costs** might absorb cost savings and higher incomes.
- The combined costs of housing and transportation are typically a constant share of household income across different markets.²⁴
- The study of transit-rich neighborhoods found that home prices and **rents tend to rise** in neighborhoods where transit is added.²⁵
- To make sure that **transit benefits current residents**, neighborhoods require intervention to acquire, preserve, and expand affordable housing.²⁶

Does Transit Increase Market Potential?

NEW RESIDENT OPPORTUNITIES

More Residents = More Spending. But how much more?

The Theory...

Market Capture

- Expressed as a %, also known as the **capture rate**.
- Also known as Market Penetration
- Simply: how much residents spend at a given retail location.
- Rigorously: the percentage of retail spending done by residents of the trade area that occurs at the store, shopping center, or business district in question.²⁷

Sales Leakage

- Simply: the amount that residents spend elsewhere.
- Rigorously: the difference between the estimated expenditures of residents in the trade area and the total receipts of businesses in that trade area.²⁸
- Sales leakage can be analyzed separately for distinct retail sectors within a business district or trade area.

Does Transit Increase Market Potential?

NEW RESIDENT OPPORTUNITIES

More Residents = More Spending. But how much more?

The Reality...

- Urban neighborhoods are not self-contained economies. There will always be sales leakage as well as market capture of customers from beyond the trade area.
- What we can measure is the **net** market capture and the net sales leakage.
- Thus it is possible for the net market capture to be greater than 100% if destination retail is pulling customers from beyond the study area. The true capture rate of spending only by local residents will always be below 100%.

Does Transit Increase Market Potential?

NEW RESIDENT OPPORTUNITIES

What percentage of total retail expenditure by residents could reasonably be captured by neighborhood businesses?

“Typical” Target Capture Rates

- One study²⁹ estimated a maximum possible capture rate of **80%** for neighborhood businesses based on data that 80% of retail in major metropolitan areas is located in business centers with less than 500,000 gross square feet.
- Another study claimed that the usual potential capture rates applied by analysts for neighborhood shopping centers is **70-80%** for convenience goods and services and **20-30%** for comparison goods and services.³⁰

Does Transit Increase Market Potential?

NEW RESIDENT OPPORTUNITIES

What percentage of total retail expenditure by residents could reasonably be captured by neighborhood businesses?

What factors influence how much is spent locally?

- **Size of Trade Area:** The larger the trade area included in the study, the higher the capture rate. Large areas are more self-contained.
- **Retail Mix:** Different retail categories have different actual and potential capture rates, so the total capture rate depends on the mix of retail categories in the trade area.³¹
- **Type of Business District:** Neighborhood-serving convenience retail has lower capture rates than destination comparison retail.
- **Competition:** The presence of competing business districts within a potential trade area lowers the potential capture rate.³²
- **Large Shopping Centers:** The presence of a large shopping center nearby decreases the local capture rate of neighborhood businesses.³³
- **Program Capacity:** Dedicated economic development staff, district revitalization committees, and other business improvement programs may be able to boost the potential capture rate.³⁴

Does Transit Increase Market Potential?

NEW RESIDENT OPPORTUNITIES

What percentage of total retail expenditure by residents could reasonably be captured by neighborhood businesses?

What target capture rates have market studies used?

- Cambridge: Given the abundance of shopping alternatives, the consultant used a conservative **15%** capture rate when estimating the feasibility of developing neighborhood retail.³⁵
- Austin: After the addition of transit, capture rates could be **30%** (low estimate) to **40%** (high estimate).³⁶
- Fresno: A small study area and proximity of competing options suggests a “relatively conservative” **60%** target capture rate for grocery stores and daily-needs retail.³⁷
- Escondido, California: A large mall near the study area caused the consultant to lower the target from a “typical” 80% to **65%**.³⁸
- Rainier Valley, Seattle: An economic development strategy could help re-capture one fifth of sales leakage, i.e. a 65% capture could rise to **72%**.³⁹
- Denver: An economic development study assumed an increase of 4 to 8 points (“modest” estimate) or 10 to 14 points (“moderate” estimate) over base-line capture rates ranging by neighborhood from 10% to 78%, i.e. maximum capture rates could be **88%** or more.⁴⁰

Does Transit Increase Market Potential?

NEW RESIDENT OPPORTUNITIES

What percentage of total retail expenditure by residents could reasonably be captured by neighborhood businesses?

Does the local capture rate vary by the type of business?

- General rankings from highest capture rate to lowest:³¹
 1. Eating and drinking places
 2. Food stores
 3. Apparel, general merchandise, furnishings & appliances
 4. Building materials, auto repair, auto sales
- Actual capture rates can vary widely based on particular context, but the relative rankings tend to be less variable.

3. DOES TRANSIT INCREASE RETAIL DEVELOPMENT POTENTIAL?

Not Necessarily...

- Demand still needs to be present for retail to succeed in transit-oriented development.⁴²
- The connection to transit stations and the neighborhood typology must be working in tandem to generate retail potential.⁴³
- A report from North Carolina found that rail can be a “catalyst,” but that the *creation of value*, through infrastructure and design improvements was often necessary at many of the station areas.⁴⁴

“Although transit can help catalyze development, transit alone is not sufficient when market conditions are not supportive.”⁴⁵

Does Transit Increase Retail Development Potential?

New Rail Transit Stations can Lead to:

Alteration of Trade Areas:

- Trade areas can increase due to the potential for growth in the housing stock.
- Transit can shift traffic patterns, affecting the pulling power of competing trade areas.⁴⁶

Expanded Residential and Real Estate Opportunities:

- New transit can improve the marketability of residential units and increase fiscal feasibility of higher density development.⁴⁷
- Infill development sites may be seen as better positioned for development into more intensive uses.⁴⁸
- A report for Denver, CO estimated the number of housing units possible at underutilized sites near station areas. They then used the data to calculate the increased demand for retail space.⁴⁹

Does Transit Increase Retail Development Potential?

THE EFFECT OF NEIGHBORHOOD TYPOLOGY

Neighborhood typologies are the classification of neighborhood types by common characteristics. Different neighborhoods offer varied potential for future retail development based on spatial characteristics and existing employment.⁵⁰

Downtown Core

- Opportunity for infill development and further place-making

Major Activity Center

- Areas of varied density and land use often situated to attract residential, retail and employment densities

Local Activity Center

- The relatively dense core of defined neighborhoods that may attract residential and employment infill projects. Further neighborhood serving retail possible.

Dense Urban Neighborhood (e.g. Fruitvale)

- Primarily residential neighborhood that may support clustering of neighborhood serving retail around the station area.

Urban Neighborhood (e.g. Lake Street)

- Well established neighborhoods with retail possibilities confined to the immediate station area and primarily serving the neighborhood only.

Service Employment District

- Area of large office buildings. Some retail may be generated by employment density.

Manufacturing Employment District

- Low density employment with large building footprints. Retail development potential remains low unless other factors, such as reuse of vacant properties changes the dynamic.⁵¹

Does Transit Increase Retail Development Potential?

THE NEED FOR VALUE CREATION AT TRANSIT STATIONS

The creation of value is critical to achieving land premiums that can justify higher costs of development near transit stations.

- Streetscape improvements, creation of parks and plazas, parking regulations and design standards can allow for targeted investments that are “highly-efficient.”⁵²
- Such investments can have a large affect on a relatively small transit station area, spurring the demand for new development.⁵³

“Rail doesn’t make a bad area good; it makes a good area better.”
City of Portland⁵⁴

4. WHAT FACTORS INHIBIT OR ENCOURAGE RETAIL DEVELOPMENT NEAR TRANSIT?

COMPLEX VARIABLES

A number of often related variables can inhibit retail at transit stations or encourage its development if implemented well.

INHIBITS RETAIL DEVELOPMENT

- Local resistance
- Low residential and employment density
- Outdated zoning
- History of single use districts
- Poor parking location, form and amount
- Developer's perception of risk
- Lack of station area identity

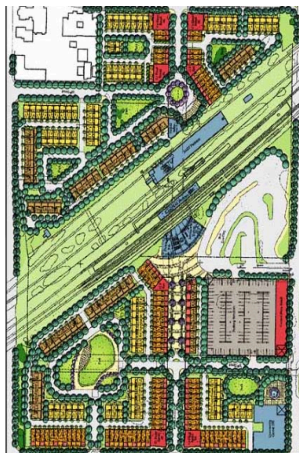
ENCOURAGES RETAIL DEVELOPMENT

- Community consensus
- High residential and employment density
- Zoning for a vision
- Mix of retail and services
- Good parking location, form and amount
- Public and Private Partnerships
- "Place-making" investments

What Factors Encourage or Inhibit Retail Development Near Transit?

RESIDENTIAL AND EMPLOYMENT DENSITY

"Where residential growth and revitalization is occurring, retail is primed to follow."⁵⁵



- Job and employment densities, relatively high compared to the neighborhood type, can generate increased demand for retail.⁵⁶
- Housing concentrations can create demand for transit and pedestrians can in turn create demand for retail.⁵⁷
- Building less retail initially can reduce the risk of overestimations of demand and empty storefronts.⁵⁸
- Mixed income housing can provide for a variety of jobs to be filled at the station area.⁵⁹

What Factors Encourage or Inhibit Retail Development Near Transit?

PUBLIC PRIVATE PARTNERSHIPS

*A contractual agreement between a public agency and private entity where skills and assets are shared to better deliver a service to the community.*⁶⁰

- PPP's may encourage a developer to consider non-traditional shopping and retail designs.⁶¹
- PPP's have been successful at structuring, financing and developing plans that leverage public sector policy goals with a market driven approach.⁶²
- Successful partnerships can draw on the strengths of both parties and help navigate conflict resolution.⁶³
- The public sector can ensure "certainty and timeliness" in the permitting process for unfamiliar projects, which can be crucial to helping developers feel confident in moving forward with plans.⁶⁴

What Factors Encourage or Inhibit Retail Development Near Transit?

ZONING

Zoning that adheres to a community vision can shape appropriate development.

- Zoning can work toward shaping a realistic vision created by community stakeholders.⁶⁵
- Transit stations often benefit from area design guidelines to ensure uniformity of station area character within the context of the neighborhood.⁶⁶
- Certain zoning regulations can impact setbacks and density requirements⁶⁷
- Zones with underutilized sites represent the best opportunity for commercial development.⁶⁸
- Designation for transit oriented uses by special permit can encourage a mix of uses.⁶⁹
- Retail street frontages may need to adhere to certain zoning regulations to ensure economic viability.
- Minimum transparencies at store fronts
- Awnings
- Improved or widened sidewalks⁷⁰
- "Direct Access" for pedestrians and "continuous connections," which are important for transit oriented development, can be achieved through better zoning regulations.⁷¹

What Factors Encourage or Inhibit Retail Development Near Transit?

MIXED USES

- Retail may benefit from coordinating zoning throughout the corridor, providing opportunities for different station areas to serve different needs.⁷²
- A mix of uses at the station area can generate trips throughout the day and allow workers to run errands during the workday.⁷³
- Fruitvale Village planners included a mix of uses with services at the ground floor level to attract the amount of foot traffic that could make retail feasible.⁷⁴

What Factors Encourage or Inhibit Retail Development Near Transit?

PARKING ISSUES

- Too much parking can undermine ridership objectives and use up space for more intensive development.⁷⁵
- Not enough can lead to negative perceptions of the station area's accessibility.⁷⁶
- Parking located away from the station area can be situated so commuters must walk past retail on their way to the parking lot.⁷⁷
- Where parking is restricted, retail sited near employment centers, transit stations and dense housing is necessary to be viable.⁷⁸
- The removal of park-and-ride lots can have a greater negative influence on ridership at low density stations.⁷⁹
- Too much parking can over-extend the commuter catchment area and undermine development potential at the station area.⁸⁰

“Well managed parking can help provide revenue for infrastructure and other public improvements.”⁸¹

PLACE-MAKING

Place making as an urban design method for transit stations contends that a station can be the centerpiece for public life in an area, functioning as a “community gathering spot.”⁸²

Key aspects of place making:

- Comfortable station areas built to human dimensions
- Memorable environments that draw on distinctive aspects of the community
- Amenities, such as landscaping, greenery, coordinated urban design, and arts
- Connectivity of the station area to surrounding neighborhood in a safe, appealing and efficient manner
- Legibility, such as clear sight lines and signage
- Natural Surveillance through the creation of vibrant settings that lead to a sense of security⁸³

PLACE-MAKING

- Place making design methods can create spaces that people are naturally drawn to.⁸⁴
- Station design that creates activity on all sides, and reflects the image of the community can encourage pedestrian use⁸⁵
- Baltimore planners used attractive plantings, benches and original lighting to encourage people to walk down retail lined streets.⁸⁶
- Place making provides opportunities to “boost nearby retail by making the plaza a better place to visit through improved lighting, more attractive landscaping and ongoing activities such as art fairs and musical performances.”⁸⁷

What Factors Encourage or Inhibit Retail Development Near Transit?

ACCESSIBILITY

- Station area configuration can determine the success of retail establishments, in terms of meeting the needs of transit riders, residents and employees.⁸⁸
- Retail needs to be within walking distance of employment and residential centers.
- Pleasant pedestrian environments can support increased retail spending.
- Transit connectivity should be provided with various modes, including bus, rail and feeder streets to improve destination accessibility.⁸⁹
- Relate the ground level to pedestrian use
- Create connections to the transit station that are short continuous and direct.⁹⁰

“The increased demand for ‘walkable urbanism’ has been shown to support residential real-estate prices and commercial rents.”⁹¹

5. WHAT TOOLS ENCOURAGE RETAIL DEVELOPMENT NEAR TRANSIT?

Tools For:

- Density
- Parking
- Finance
- Accessibility
- Design



What Tools Encourage Retail Development Near Transit?

PROMOTE DENSITY

Incentive-Based Zoning:

- Density Bonuses and floor area ratio bonuses allow developers to exceed density restrictions in return for meeting housing requirements or other objectives.

Recommendations for Incentive-Based Zoning:⁹²

- Use minimum rather than maximum density requirements.
- Phase projects so residential units at appropriate densities precede retail development. A phasing plan can also allow for a development to change over time, addressing community need.
- Floor area ratios (FAR) between 2.0 and 5.0 are key characteristics of densities that can support retail.

What Tools Encourage Retail Development Near Transit?

PARKING

- Encourage pay-per-car services, such as “zipcar” at transit stations.
 - Reduce parking requirements for facilities that provide such services.⁹³
- Combine parking structures with housing or office space developments in multi-floor configurations instead of large separate parking lots.⁹⁴
- Locate parking structures to the rear of buildings to maintain pedestrian focus.
- Parking structures along pedestrian routes can have updated facades that are friendlier to pedestrians.
- Allow space for bicycle parking to attract different users.⁹⁵

What Tools Encourage Retail Development Near Transit?

FINANCE

- **Consider Tax Increment Financing** as a tool for Public/Private partnerships to capture the increased tax value created by transit proximity and use it to make infrastructure improvements.⁹⁶
- **Chapter 43D** is a Massachusetts' s expedited permitting bylaw which allows for streamlining the permitting process into a 180 day review period.⁹⁷ Reducing the uncertainty of whether a project will gain approval can help encourage investors and facilitate financing.

What Tools Encourage Retail Development Near Transit?

ACCESSIBILITY AND DESIGN

- Consider widened sidewalks, curb-cuts, ramps, audible signals, bike lanes and bike parking to accommodate non-vehicular demand and create a pedestrian friendly environment.⁹⁸
- Implement design standards for uniformity of facades, signage and street furniture to encourage local identity.
- Incorporate public art from local artists.
- Incorporate architectural variety on the lower floors of buildings which can create an interesting pedestrian atmosphere.⁹⁹
- Make station areas and retail avenues well lit to accommodate night time use.¹⁰⁰

CASE STUDY: FRUITVALE - OAKLAND, CA



Interviewed:

Maurilio Leon, Executive Vice President,
The Unity Council

CASE STUDY: FRUITVALE - OAKLAND, CA



BART (Bay Area Rapid Transit)

- Heavy-rail transit system in the San Francisco Bay Area, California

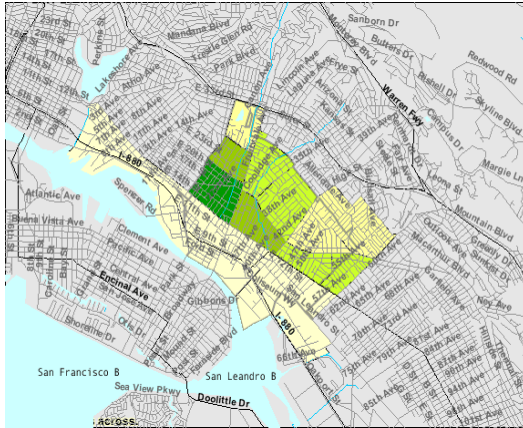
Fruitvale Station

- 15,500 daily transit trips enter or exit through the BART station fare gates

CASE STUDY: FRUITVALE - OAKLAND, CA

Fruitvale Demographics and Population Characteristics¹⁰²

- Fruitvale is a two and a half square mile area
- Fruitvale Total Population - 54,857
- Population within 1 mile of station: 42,953



Median Household Income

- \$33,152 (Zip Code)¹⁰³
- \$49,539 (within ½ mile of station)¹⁰⁴

Diverse Community

- Latinos – 49%
- African Americans - 20%
- Asians - 16%;
- Caucasians - 8%

CASE STUDY: FRUITVALE - OAKLAND, CA

Village Development

(1991 – 2004)

- In 1991, BART announced plans to construct a multi-layered parking facility next to the Fruitvale station.
- Community residents and business owners expressed concern about the parking structure (safety, air quality, traffic and pedestrian access) BART withdrew its proposal and agreed to work with the community.
- **In 1994, the Unity Council (a local CDC), BART, and the City of Oakland** signed a MOU to form Fruitvale Policy Committee to guide planning and development activities at the station
- The Fruitvale Development Corporation (FDC) is created by the Unity Council to serve as the developer and manage contracts.
- Final plans for the Fruitvale Transit Village include **a mixture** of housing, shops, offices, a library, a child care facility, and community services
- Fruitvale Village project was expected to cost 100 million; but **cost \$200 million**; it opened in 2004

CASE STUDY: FRUITVALE - OAKLAND, CA

Village Project Components

2 Parking Garages for 1,500 Cars

114,500 sq ft Office

- Financial services - Citibank, Community Development Financial Institution (CDFI), tax preparation services, and the Unity Council's Home Ownership Center
- Educational services - Head Start preschool (serves 285 children) and a public high school (serves 220 teens)
- Social services - City of Oakland Library and senior center
- Health and Medical Services - out-patient community health clinic, a mental health clinic for foster-care children, dental offices, and optometry services

52,716 sq ft Residential

- 68 units of HUD 202 low-income senior housing
- 10 restricted-income rental units for families

39,707 sq ft Retail

- 40 businesses (See next slide)

CASE STUDY: FRUITVALE - OAKLAND, CA

39,707 sq ft of Retail

Restaurant Taqueria 1,500
Dry Cleaners 1,500
Coffee Shop 1,200
Delicatessen (Prepared Food)
1,200
Ice Cream Shop 1,200

Restaurant (Full-Service) 5,000
Convenience Store 2,500 – 3,000
Financial Services 2,500
Music / Books 2,500
Video 2,500

Donuts / Bakery Store 1,000
Florist 1,000
Jewelry Store 1,000
Optometrist 1,000
Postage / Photo Services
1,000
Shoe Repair 500

Gifts / Cards Store 2,000
Sports Apparel / Shoes 2,000
Shoes 2,000
Women's Apparel 2,000

CASE STUDY: FRUITVALE - OAKLAND, CA

LESSONS LEARNED

CASE STUDY: FRUITVALE - OAKLAND, CA

Ingredients for Retail Development

Market Potential - “Just because you build it doesn’t mean they will necessarily come”

- Controllable market forces? “Fruitvale could have been built with more Housing and less Office space.” Office market collapsed in Bay Area by 2004.
- The Fruitvale Village foot traffic demand was significantly **over-estimated**. This was based in anticipation of commuters patronage.
- “40,000 square feet of retail space could be **twice as much** as can be easily supported, and six restaurants are too many.”

Lesson learned: Estimate accurate demand & forecast market conditions

CASE STUDY: FRUITVALE - OAKLAND, CA

Does Transit Increase Market Potential?

Commuter & Destination Opportunities – “More than a cup of coffee”

The (Fruitvale) BART station is either the first leg or last stop before getting home at night. Commuters want to make trip as short as possible and don't typically take time to linger and shop either on the way to work or on the way home.”

Lesson learned: The Unity Council is encouraging commuter and destination opportunities through a twice weekly farmers' market, a public market and a community cultural center (both across the street)

CASE STUDY: FRUITVALE - OAKLAND, CA

What Factors Inhibit or Encourage Retail Development?

Place-Making

BART Riders can walk directly into the station without engaging the Fruitvale Village.

Lesson learned: Parking garage should have been built for “active engagement” of BART patrons.



CASE STUDY: FRUITVALE - OAKLAND, CA

What Factors Inhibit or Encourage Retail Development?

Physical Profile of Retail Space “Visibility is Key”

One of the two Fruitvale Village buildings creates an indent. Retail design obscures sight lines from traffic areas, making interior retailers less visible to potential walk-by customers.

Lesson learned: Greater visibility of retail – create a bulge onto the center plaza

Traffic Flow – “Did not Think of the Bigger Picture”

The street in front of the Village was narrowed to make the Fruitvale Village more pedestrian friendly, but the result has been significant traffic back ups all the way to Fruitvale during some evening rush hours.

Lesson learned: The desire to create a pedestrian- friendly zone must be balanced by the reality of traffic that has a legitimate need to access the same area.

CASE STUDY: FRUITVALE - OAKLAND, CA

What Factors Inhibit or Encourage Retail Development?

MIXED USES – “KEEP IT DIVERSE”

Aside from Citibank, the main project creditor, and Subway, all initial retail leases were signed with non-national, sometimes completely untested, merchants.

Local merchants had the wrong product mix - too expensive, wrong styles, etc. tended to have less capital available, and what they had was often consumed early in poorly supervised build outs so that funds were unavailable later as startup working capital.

Lessons Learned:

- Lease to proven-capable merchants and open the project to national tenants. All new tenants must submit solid business plans and demonstrate financial capacity before a lease will be offered to them.
- The Unity Council provides attractive tenant improvement allowances to help the tenants be more viable in the long-term by preserving their money for working capital needs as their businesses establish themselves.

CASE STUDY: FRUITVALE - OAKLAND, CA

What Factors Inhibit or Encourage Retail Development?

MIXED USES – “KEEP IT DIVERSE”

Fruitvale Village’s office space is composed of a community services hub – they have two, 20-year prepaid leases to the City of Oakland, and four other long-term leases to nonprofits.

Lessons learned:

- Nonprofits have tenuous funding sources and have challenges with raising rent and capital funding.
- Nonprofits don’t necessarily generate complementary foot traffic (with disposable income) to retailers or serve specific needs of residents.
- No opportunity to reconfigure the space to attract a traditional retail “anchor” tenant (department store, grocery store, etc.) because long-term leases of community service providers

CASE STUDY: FRUITVALE - OAKLAND, CA

What Factors Inhibit or Encourage Retail Development?

Public-Private Partnership “Non-profit Developer be aware”

Either Fruitvale Village was too expensive, or it was not financed with enough money. Project ran out of funds before completely building out and leasing up the space. Fruitvale found that capital “took advantage of favorable markets from the nonprofit developers desperately trying to install the project.”

Lessons Learned:

- Keep raising funds to complete lease up and build out.
- Financing should be more responsive to market conditions for public benefit projects, so that those projects, not their creditors, can benefit from favorable market conditions. Creditors should provide patient charitable capital.
- Nonprofits with limited access to capital should avoid financing structures that expose their projects to significant fluctuations in interest rates.

CASE STUDY: FRUITVALE - OAKLAND, CA

A TOD Success Story?

- Before the Fruitvale Transit Village was built, the commercial district was dismal, typified by 40% vacancy along the main arterials. Crime and property blight were rampant. In this environment, private developers refused to make investments in the neighborhood, despite its location advantage in the center of the Bay Area and the presence of the multi-modal mass transit hub at the Fruitvale BART Station.”
- “With the planning, design, development and opening of the Fruitvale Transit Village, commercial vacancies have declined to 1% - 2%, even in the present economy, while dozens of new businesses have opened at the Fruitvale Transit Village itself. Smaller investments have also been made in the blocks surrounding the station, and only the present economic crisis has slowed the pace of transformation.”

CASE STUDY: FRUITVALE - OAKLAND, CA

Summary of Findings

- Office tenants cannot always be relied on to create retail demand.
- Community service providers can help create retail demand in the absence of residential space.
- Accessibility and design issues can hinder retail success.
- Appropriate retail tenants can improve project viability.
- Fluctuations in market conditions can stall development.
- Projects needs patient capital that can allow development over time.

CASE STUDY: LAKE STREET STATION, MINNEAPOLIS

The Hiawatha Line:

- Light Rail corridor from downtown Minneapolis, Minnesota to the south suburb of Bloomington
- Line began operations June 2004

Lake Street Station

- Serves the diverse, mostly working-class community of Longfellow

Interviewed:

Melanie Majors

- Executive Director of Longfellow Community Council

Joyce Wisdom

- Executive Director of Lake Street Council



CASE STUDY: LAKE STREET STATION, MINNEAPOLIS

Summary

- Little development since the station opened in 2004
- Development that has happened has been mainly restaurants – McDonald's, coffee shop, chain restaurant
- Multiple stalled development projects
 - Mixed used (ground floor retail with apartments above) development project was held up due to design issues.
 - Delay led to some retail tenants backing out, further delays while new tenants were courted
 - Restaurant/grocery store project stalled when original developer bailed on the project.
- Poor accessibility, local resistance, high costs, and inefficient local planning processes have been main reasons for lack of development

CASE STUDY: LAKE STREET STATION, MINNEAPOLIS

Insufficient Density

- Developers have been hesitant to undertake any major projects because they are unsure if the surrounding community can support them
- No major employment centers or “destination” attractions in the area – market for retailers is essentially limited to residents of the area
- For this reason, there has been a focus on developing housing, with some mixed use projects proposed as well

CASE STUDY: LAKE STREET STATION, MINNEAPOLIS

Local Resistance

- Surveys have revealed that local residents do not want “big box” stores
 - Prefer small, locally owned businesses, but developers do not believe there is enough density to support them
 - Believed that if residents would accept big box stores, much more development would have occurred
 - Gas station, pharmacy with drivethru have been nixed by residents
- Distrust inhibits development – businesses say they will give back to the community by hiring locally, but residents are reluctant to believe them.

CASE STUDY: LAKE STREET STATION, MINNEAPOLIS

Inefficient Planning Process

- Reaching consensus on appropriate development types has been difficult
 - Longfellow community is comprised of 4 distinct neighborhoods each with their own identity
- Similar community concerns are raised every time a new development project is proposed
 - How does it benefit residents?
 - That's not the type of development we want
- Long decision timeframes leads to stalled projects
 - By the time consensus has been reached, delays have scared away potential developers/tenants, putting projects in jeopardy
- Public-Private partnerships could have helped get everyone on the same page sooner, prevented delays in project approvals

CASE STUDY: LAKE STREET STATION, MINNEAPOLIS

Accessibility

- Longfellow section of the Hiawatha Line runs along the west side of a divided highway, making connections to the station difficult
- The highway inhibits walkability to the area directly east of the station
- All development that has occurred has been on the station side of the highway



CASE STUDY: LAKE STREET STATION, MINNEAPOLIS

Lessons Learned

- Relationship building is key
 - Developing relationships between prospective businesses and residents is essential
 - Working relationships may reduce the level of distrust between residents and businesses
 - Residents may be more likely to accept a development project, no matter what the particular use is going to be
- Plan ahead of time
 - Establishing a shared vision of what the station area should look like offers a framework for deciding what types of uses are acceptable in the area.

SUMMARY OF FINDINGS

SUMMARY OF FINDINGS

Necessary Ingredients for Retail Development:

- Sufficient amount of potential customers within the trade area
- Available land and/or underutilized buildings
- Strong market potential

Effects of Transit on Market Potential

- Retail is not the driving land use in TOD's.
- "Destination" and "Convenience" retail locations attract different users are affected by real and perceived accessibility.
- Convenience goods including food establishments perform better near transit than large shopping centers.

SUMMARY OF FINDINGS

Effects of Transit on Retail Development Potential

- Transit alone cannot support retail development.
- New transit service alters existing trade areas
- Transit may influence demand by increasing residential and real estate opportunities
- Neighborhood typologies can guide retail recruitment efforts
- Value creation through infrastructure and amenity upgrades is critical for new development.

SUMMARY OF FINDINGS

Various Factors can Inhibit or Encourage Retail Development Near Transit Stations

- **Density** of residential and/or employment centers is necessary.
- **Public-private partnerships** can help reduce developer risks and propel projects.
- **Zoning** tailored to a community vision can shape development to enhance retail opportunities.
- **Mixing uses** can accommodate more captured value.
- Well managed **parking** can attract retail customers.
- **“Place-Making”** can create spaces that people are naturally drawn to.
- **Accessible** retail establishments that are well connected to the station area can capture more value.

SUMMARY OF FINDINGS

Tools to Encourage Retail Development Near Transit

- Incentive-based zoning to promote density
- Tools to integrate parking into the project
- Tax-increment financing
- Expedited permitting
- Investment from patient capital
- Design tools for accessible, active places

SUGGESTIONS FOR FAIRMONT CORRIDOR

SUGGESTIONS FOR THE FAIRMONT CORRIDOR

Develop in Accord with Demand

- Fit Fairmont stations into relevant neighborhood typologies to better understand retail potential.
- Assess station potential for “convenience” and “destination” retail opportunities.
- Phase projects to coincide with growing demand.
- Focus on housing before retail.
- Attract community services to generate retail demand.

Mitigate Financial Risk

- Consider how a diversity of uses can better endure market changes.
- Continue to raise funds throughout the development process to complete lease up and build out.
- Build partnerships with complementing expertise.
- Secure financing that is advantageous for the project, not the creditor.

SUGGESTIONS FOR THE FAIRMONT CORRIDOR

Build Relationships to Capture the Value of Transit:

- Recruit retailers that fit the diverse character and makeup of the differing neighborhoods.
- Review the product mix and business plans of potential tenants to provide a good fit for the station areas.
- Use outreach to build relationships between prospective developers and tenants in order to expedite development approval.
- Foster working relationships between residents and businesses.
- Reach out to stakeholders to create a shared vision for the station area.

SUGGESTIONS FOR THE FAIRMONT CORRIDOR

Design to Capture the Value of Transit:

- Encourage retail development in the path of commuters.
- Consider pedestrian infrastructure improvements with public and private partners.
- Review current traffic patterns of corridor neighborhoods to anticipate where pedestrian improvements could have negative effects on traffic flow.
- Evaluate barriers that may interfere with connectivity between retail areas and the station area.
- Consider the potential for night-time retail opportunities.
- Provide sufficient parking spaces despite transit availability.
- Encourage multi-modal transportation to draw on a diversity of residents and buying power opportunities.

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APPENDIX: WHAT TYPES OF BUSINESSES SEEM TO BE MOST APPROPRIATE NEAR TRANSIT STATIONS?

STATION SITE VISITS

WHAT TYPES OF BUSINESSES SEEM TO BE MOST APPROPRIATE NEAR TRANSIT STATIONS?

Findings

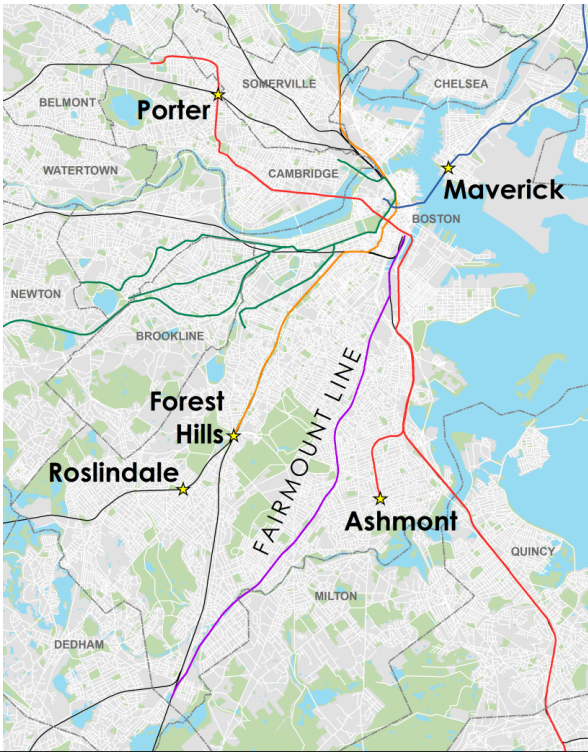
Businesses around station included:

- Food (taquerias, sub shops, groceries)
- Finance Services (banks, check-cashing)
- Health Services (pharmacy, doctor's offices)
- Discount Stores
- General Services (laundry, beauty)

Surveyed Stations in the Boston Area

- Forest Hills
- Ashmont
- Roslindale
- Maverick
- Porter

Appendix: What types of businesses seem to be most appropriate near transit stations?



SURVEYED STATIONS

Appendix: What types of businesses seem to be most appropriate near transit stations?

FOREST HILLS

- Shops inside of station area
- Mainly food related businesses
- Some services
- Laundromat, tax services, barbershop
- Extended area mostly residential



Convenience Store



Cafe

Appendix: What types of businesses seem to be most appropriate near transit stations?

ASHMONT

- Lots of light industrial
- Some Retail
- Hair/beauty salons
- Professional Services

Bank



Light Industrial



Professional Services



Appendix: What types of businesses seem to be most appropriate near transit stations?

ROSLINDALE

Diverse commercial district

- Pizza/sub shops, ethnic restaurants
- Retail: clothing, sign shop, Staples
- Grocery store
- Banks
- Medical/Dental Center
- Auto shops



Neighborhood Retail



Medical Center

Appendix: What types of businesses seem to be most appropriate near transit stations?

MAVERICK

- Health Center
- Discount/dollar stores
- Food: fast-food, taquerias, bakery, sit-down restaurant
- Markets: Spanish America, Halal
- Photography/Graphic Design
- Banks/Checkcashing

Appendix: What types of businesses seem to be most appropriate near transit stations?

MAVERICK: FOOD MARKETS & FAST-FOOD



Appendix: What types of businesses seem to be most appropriate near transit stations?

MAVERICK: EAST BOSTON NEIGHBORHOOD HEALTH CENTER



Appendix: What types of businesses seem to be most appropriate near transit stations?

MAVERICK: FINANCIAL SERVICES



Appendix: What types of businesses seem to be most appropriate near transit stations?

PORTER SQUARE

- Supermarket
- Hardware Store
- Gym
- Bookstore/Coffee shop
- Artisan stores
- Pharmacy
- Sit-down restaurants

Appendix: What types of businesses seem to be most appropriate near transit stations?

PORTER SQUARE: SHOPPING CENTER



Appendix: What types of businesses seem to be most appropriate near transit stations?

PORTER SQUARE: HEALTH SERVICES



Appendix: What types of businesses seem to be most appropriate near transit stations?

PORTER SQUARE: RESTAURANTS



Appendix: What types of businesses seem to be most appropriate near transit stations?

SUMMARY OF FINDINGS

- Convenience-oriented businesses geared towards serving commuting residents of the surrounding neighborhoods and local needs.
- Businesses should be well suited to the population that lives in the surrounding neighborhoods, as they are the people who seem to be frequenting them most often