CITY OF KIRKLAND
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MEMORANDUM

To: City Council

From: Ellen Miller-Wolfe, Economic Development Manager

Date: March 1, 2007

Subject: Economic Development: 2006 Accomplishments and 2007 Workplan Opportunities

The purpose of this memo is to report on the accomplishments of the Economic Development Program for 2006, most of which were outlined in a proposal that was presented at the Council 2006 Retreat. It also is intended to solicit input on the 2007 Workplan.

A. 2006 Accomplishments

Over the past year the Economic Development Program has worked to implement the strategies that were outlined in the 2006 Retreat memorandum.

Weaving Economic Development Mantra and Strategies into City Processes

Economic development has become part of City business practices, and major decisions now better incorporate consideration of the impacts on business.

- The Economic Development Program took an active role in soliciting comments from businesses before and after capital projects. We convened a post-completion business focus group to discuss impacts of the Central Way project on business and collected several best practices to employ as mitigation for future projects. In preparation for the revitalization of the Transit Center, the Program advocated for the needs of current businesses as well as future developments (ie Antique Mall) that will be affected by the design of this major public improvement.

- New businesses received a warm welcome and an extended helping hand from City government this past year. They now are greeted by a personal letter from the Mayor and receive a follow-up phone call from the Business Retention Consultant asking if they would like assistance with City processes or referrals to other economic development resources.

- Businesses that are renewing their licenses also receive a letter from the Mayor, noting our business retention services. We have instituted the practice of providing information and other benefits to businesses as a take-away at license renewal time.

- The Business Retention Consultant, a part-time position that represents a partnership between the Chamber of Commerce and the City, helped individual businesses navigate City processes and provided relocation assistance. Some significant successes have raised the program's profile and more and more businesses have begun to rely on it for services.

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Promoting Kirkland to a Variety of Audiences

Much of last year's plans to improve the website for doing business in Kirkland and marketing Kirkland awaited the approval of funds in the 2007-8 budget. In the absence of a comprehensive marketing package, we provided customized materials primarily in response to requests, promoting Kirkland, its various business districts and development opportunities. Some of these efforts included:

- Assemblage of customized data and maps to market downtown Kirkland to specific development prospects.

- Development of concise promotional pieces (web and paper applications) focusing on new development opportunities resulting from upzoning in the Parmac and 85th Street Corridor business districts.

- Downtown brochure with city-wide demographics, new development projects and development opportunities distributed to business prospects and visiting delegations.

- Mapping and marketing of employee concentrations in shoreline business districts (Yarrow Bay, Carillon Point, Downtown and Juanita) as part of a preliminary effort to attract a water taxi service.

- Mapping of IT employment concentrations to market Kirkland to other IT companies.

- Technical assistance to owners and developers to help them think through visioning and redevelopment for individual parcels as well as Parmac and other business districts. Parkplace Management, Alpert Capital, Benaroya, American International, Champion Partners and SRM were some of the development interests we assisted.

- Kirkland doubled its contribution to enterpriseSeattle, the regional economic development organization, in order to promote Kirkland to regional business interests and also to benefit from business referrals.

- The Economic Development Manager chaired the subcommittee of eCityGov's NWProperty.net team. NWProperty.net is a commercial real estate site critical to business recruitment and retention. This past year enterpriseSeattle and Snohomish County joined the site, making it that much more valuable for site selectors from outside the region. Several Kirkland businesses made use of the site to relocate locally.

Tourism

The Tourism and Economic Development programs worked closely together this year to begin to promote Kirkland as a business location and visitor destination with the clear understanding that it is lifestyle that motivates a variety of audiences to choose Kirkland. Outcomes of this collaboration include:

- The active engagement of Marriott and Heathman Hotel representatives in tourism efforts that focus on enticing business travelers to extend their stays through the weekends and sample the many cultural and recreational venues Kirkland and the region offer.

- Planning for 'Kirkland Uncorked' got underway, an event that will showcase 'the good life' that is Kirkland.

- Preliminary conversations were initiated with Woodinville, Redmond, the Seattle Visitors and Convention Center, Kenmore and others to leverage Kirkland assets with those of nearby communities as an enticement to domestic and international travelers.

Industry Clusters as Organizing Principle for Local Economic Development

The Kirkland Business Roundtable, inaugurated in November, 2006, drew its membership of 35 CEO-level leaders from the major business clusters present in Kirkland based on the theory that these clusters are most likely to bring new revenue into the community. Supporting business clusters such as finance, real estate, educational institutions, and business organizations (Chamber) also have a seat at the table.

Members plan and present issue forums on a quarterly basis that the Roundtable has determined are most important to the continuing vitality of the Kirkland economy.

- The Roundtable requested that staff pursue a marketing vision that takes into account those characteristics that 'creative class' employees require in their residence/business location.

- 520 improvements (and overcoming other transportation access challenges), the provision of affordable/workforce housing, and an amenity-rich downtown are, according to Roundtable members, critical to the continued health of Kirkland's business environment.

Strategies Customized to Business Districts

All business districts received the attention of the Economic Development Program throughout the year. The ED Manager attended Business District Meetings sponsored by the Chamber and heard first-hand about the challenges each faces. In addition:

- Staff brought all stakeholders together to discuss Juanita Village parking and to strategize how to handle a perceived dearth in employee and customer parking. That effort is continuing in 2007.

- A comprehensive plan amendment allowed the Green Car Company, an existing Kirkland business and retailer of fuel efficient and alternatively fueled vehicles, to locate their headquarters facility in the Norkirk neighborhood. Language promoting green industries – an anticipated catalyst for redevelopment of this declining industrial area - was incorporated in the neighborhood plan.

- Downtown, the City in partnership with the KDA, sponsored a UWBothell student consulting team that surveyed retail businesses and discovered among other things, that those businesses that stayed open in the evening profited the most. More importantly, the study launched a Downtown Business Group, an informal gathering of City, KDA, and Chamber staff to explore acting on other study recommendations.

- In Totem Lake, the State Community Economic Reinvestment Board recommended to the Legislature that the City of Kirkland receive $3m in Job Development Funds for infrastructure for the Totem Lake Mall project. Work began on packaging Parmac for those who might be interested in this development opportunity.

B. 2007 Workplan

The City Council met in January, 2007 to formulate economic development goals for the coming year. A summary of Council's comments from the January 16th work session are shown below.

- Develop sound base of diverse businesses that fit Kirkland's character (when X% of revenue is from business and citizens are happy with the mix).

- All services and goods available in Kirkland (when X% sales stop going elsewhere).

- Stable, diverse group that can thrive in Kirkland; increase amount of good paying jobs; Kirkland becomes tourist recreation destination; retail for Kirkland citizens and visitors (measurable increase in tax base, jobs); jobs and housing less of a problem; Kirkland a famous tourist destination
.
- Businesses that meet most of our needs; sales tax revenue growth of 7.5%/year; growing number based in Kirkland, owned by Kirkland, and stay here.

- When we have predictable annual revenues.

- Totem Lake Mall is rebuilt and no vacancies; downtown and neighborhood activities enjoy three times amount of activities; increase revenues; lessening of export of discretionary funds; living wage jobs incubator for high tech companies; destination city—increase hotel nights, revenues from restaurants.

- Residents can stay home to shop (less leakage); more people live and work in Kirkland (increase over time).

- Develop and promote sustainable and diverse business environment that meets employment and shopping needs of residents, businesses, and visitors (increase in business tax revenue).

Based on Council's comments, staff drafted the following goal statement with subgoals for the coming biennium:

Develop a sustainable business base that provides a stable economic base for City services and that promotes living, working and enjoying leisure time in Kirkland.

- Facilitate the redevelopment of key business districts (Totem Lake, NE 85th Street Corridor and Parmac)

- Assist existing and potential businesses in locating commercial real estate to promote business retention and growth

In summary, Council agreed that Kirkland should aspire to becoming a sustainable community where most of the goods and services its residents require (as well as employment) could be obtained within its borders and the amount of taxes generated from business remains stable. Tourism was called out as a key part of Kirkland's economy and its promotion and expansion supported. Although the likelihood of Kirkland becoming completely self-sufficient is probably slim given the two major employment centers to the south and west, the relative paucity of land for

commercial use, and the willingness of many people to travel out of the city for goods and services, there are strategies that can be undertaken or are already being implemented that could help Kirkland to realize a higher level of sustainability. They are encompassed in the suggested 2007 Workplan that follows.

Goal: Facilitate the development of key business districts

Priority Projects

- **Totem Lake Mall**: With design review set to occur this spring, we anticipate receiving a schedule from DDR that will help the City to scope resources and the timing of their commitment. We will track a legislative decision due at the close of the session regarding 3 million in JDF funds recommended for Totem Lake Mall infrastructure along with LIFT legislation that if adopted with proposed revisions, could supplement the 15 million in public commitments. Expectations are that building permit review for the mall project will begin in earnest in late 2007 or early 2008.

- **Parmac Redevelopment**: Retention of a consultant to assist in making the redevelopment case for Parmac is planned for 2007. Project components will include a land residual analysis and regional market assessment together with development scenarios and marketing collateral.

- **Downtown:** The ED Program will focus on the update of the Downtown Strategic Plan. It will provide input on a private comprehensive plan amendment requesting consideration for upzoning property east of downtown together with the exploration of other development opportunities east of 6th Avenue. Other work includes focusing what is now an informal monthly discussion of the KDA, Chamber and City on downtown strategies and the most appropriate agency to carry them out.

- **Opportunities:** Continue to track and coordinate as required with property owners on development of these and other opportunity sites and districts.

    - Parkplace
    - Sedarco site
    - Antique mall

Goal: ***Assist existing and potential businesses in locating commercial real estate to promote business retention and growth***

Marketing and Business Information

- Retain consultant to prepare promotional package for Kirkland (tourist and business destination) to include:
    - A permanent 'lifestyle' CD including a short video and access to key websites for business, tourism, development prospects
    - Collateral print and city website materials – folder and data sheets, interactive real estate mapping of current developments and development opportunities, and real time tax and permit fee calculations
    - Presentation boards for trade shows and other marketing venues
- Recruitment Plan – Working with Buxton or a comparable group, delineate key prospects in major business sectors
- Distribution Plan – Work with NWProperty.net team, enterpriseSeattle, Tourism interests and Roundtable to develop and implement distribution plan.
- Possible real estate luncheon and tour. Potential partners include: Commercial Brokers Association (CBA), Building Officers and Managers Association (BOMA), National Association of Industrial and Office Properties (NAIOP), Urban Land Institute (ULI) and Chamber.

Organization

- EnterpriseSeattle – Look for opportunities to partner and leverage this membership including a possible county-wide retail analysis using Buxton consulting, connections to site selectors, business seeking to relocate and other tools and prospects.
- EDC – Continue monthly meetings focused on key issues and updates
- Kirkland Business Roundtable – Continue quarterly meetings with actions on outcomes. Look for other ways to utilize the talent and resources of this group.
- Retention Consultant – Review current contract during Summer, 2007 with the Chamber and the EDC and have recommended options for consideration when contract ends in September.

Special Projects

- Green Kirkland
    - Assist with the implementation of Sustainable September
    - Assist with the identification, mapping and recognition of green businesses
    - Define and implement development incentives for Norkirk's Green District
- Entrepreneur and small business assistance
    - Survey small businesses regarding growth challenges
    - Work with the Retention Consultant to identify strategies and resources for assisting small business and home businesses
    - Recommend to EDC some strategies for consideration

ED Report Card

- Provide EDC with a sample of performance measures that economic development programs comparable to Kirkland's have adopted.
- Bring recommendation to Council for adoption.

C. Workplan Opportunities

These are articles relate to 2007 workplan elements and provide background and different approaches to implementing workplan objectives.

Setting the Stage

- "Markets to Watch." Emerging Trends in Real Estate, ULI. October, 2006.
- Conway, Dick. "Puget Sound Economic Outlook." The Puget Sound Economic Forecaster. January, 2006

The economic outlook for the Puget Sound Region is rosy according to economist, Dick Conway. Boeing sales and expansion of the information technology cluster, led by Microsoft, are the main drivers. Their growth encourages in-migration, housing demand and retail sales. Brainpower jobs, attractive settings, livable (24 hr) neighborhoods, and a location along global pathways (airports, harbors) combine to strengthen the Seattle market. Concerns are: businesses that may move further out where employees can find affordable housing; and traffic congestion/lack of mass transit.

Marketing Kirkland

- Renton Marketing CD
- Summary of Sustainable September
- ESRI Psychodemographic Profile of Kirkland
- Tri-Cities Business Growth Plans

This year Kirkland will be developing a marketing package for purposes of attracting visitors, developers, businesses and employees. Renton's concept was to focus on well-known business executives and their testimonials about living/working in that city. This could be one ingredient of a Kirkland video, although we expect to focus more on amenities and lifestyle, with evocative footage of outdoor festivals and summer activities. A smaller niche-driven marketing effort is 'Sustainable September', a summary of which is included here, which will market Green Kirkland, by promoting our many green businesses and institutions.

ESRI, Buxton, MapInfo Corporation and other data providers can give profiles of Kirkland residents and their purchasing habits together with drive times and customer profiles of retailers that match the Kirkland profile – helpful in targeting retailer prospects for recruitment, and possibly complementary to the ongoing Downtown Strategic Plan.

Recent Retail and Mixed Use Development Concepts and Projects

- Engelen, Rodney E. "The Heart of the Matter." Planning Magazine. June, 2005.
- Nyren, Ron. "Greener Retail." Urban Land. January, 2007.
- Beyard, Michael. "Rebalancing the Retail Ratio." Urban Land. January, 2007.
- Shapiro, Seth. "Hybrid Redevelopment." Urban Land. January, 2007

These articles all call for the development of new compact urban spaces characterized by a mix of uses, good access, and amenities – a panacea for older, single-use retail and industrial areas. Michael Beyard suggests that we are over-retailed, and should cut back by incentivizing the development of more intensive mixed-use districts. He also points to retail tax sharing (Minneapolis/St.Paul) as another cure for our overdependence on retail. "Greener Retail" has some great examples of recycling of old buildings or building fabric as well as green elements that can be included in new development. "Hybrid Redevelopment," describes projects that are similar to those planned for Totem Lake and Factoria Mall.

Help for the Small Business/Home Business

- Cascadia Community College, Continuing and Contract Education
- Bellevue Community College "Eastside Hot 100 Business Program."
- Kern EDC, Bakerfield, CA "Cherry Tomatoes on Steroids."

With an average of 7 employees per business and over a 1000 home occupations, there is likely a large number of early stage or start-up businesses in Kirkland and also a variety of programs that can assist them. Currently the City's effort consists of assistance to individual businesses who contact us with a problem, and our help is generally restricted to the navigation of City processes. More sophisticated programs such as "Eastside Hot 100" and "Cherry Tomatoes on Steroids" focus resources on target businesses or business clusters already successful and help them to grow. This strategy of 'economic gardening' has succeeded in other regions and also complements the Roundtable's cluster approach. Growing our own program or forming stronger relationships with entities that provide small business assistance are two of many options for service delivery.

Performance Measurements for Economic Development

- 2000 Economic Report Card. Madison, Wisconsin.
- Sustainable City Report Card, Santa Monica, CA. September, 2006.

Two examples are provided for measuring ED performance. Currently the City of Kirkland collects and maintains data; numbers of permits, square footage of new commercial construction, retail sales revenues, and new businesses licenses are relatively easy to track. We also know how many clients we service and how efficiently we are processing their work. The more complicated question is determining what impact the Economic Development Program has on any of these measures.

2006 Accomplishments

- March 7, 2006 Retreat Memorandum
- Thanks to Central Avenue Businesses. Kirkland Courier November, 2006
- Mayor's Letter to New Businesses
- Business Retention Consultant Accomplishments (October, 06 –February, 07)
- Downtown Brochure
- Kirkland Business Roundtable Materials
- Thompson, Pauline. "UWBothell Seniors Panacea for Downtown Retail." Kirkland Courier, January, 2007.
- Green Business Presentation for 'Sustainable September' Brainstorm. February, 2007.

Questions

1. Are there areas that the 2007 Workplan does not address and should address?
2. Moving forward on a vision for Parmac, are there redevelopment concepts that the Council would like considered? Other ideas?
3. Based on your knowledge of small businesses in Kirkland and the challenges they confront, what are the program elements the City might consider in reaching out to these businesses?
4. The City will embark on a major effort to prepare marketing materials. Who do you think is the audience for these promotional efforts and how best can we reach them?
5. What are areas that should be incorporated in measuring ED performance?

2006 ACCOMPLISHMENTS

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MEMORANDUM

To: City Council

From: Dave Ramsay; Ellen Miller-Wolfe; Eric Shields

Date: March 7, 2006

Subject: Economic Development

The purpose of this memo is to suggest a framework for Council Retreat discussion on economic development. The proposed framework should help Council understand the policy underpinnings and history of our current economic development approach, the goals we have established for that program, and a snapshot of the current economic picture, so as to better address the following in this retreat session:

- The opportunities and challenges that present themselves
- Strategies we might enlist to respond to them
- Resources needed to mount strategies

Background

Comprehensive Plan Goals and Policies

The City's Comprehensive Pan contains seven broad goals for economic development, along with policies for the achievement of each goal. A complete copy of the Element is included in the packet. Following is a listing of the goals and a summary of key policies:

ED-1: Foster a strong and diverse economy consistent with community values, goals & policies.

Three policies discuss fundamental objectives for economic development:

- a strong job and wage base,
- the provision of goods and services to the community,
- strengthen the tax base.

Other policies support:

- complimentary business clusters
- a balance of jobs and housing (1.5 jobs per housing unit)
- Kirkland as a visitor destination
- home based businesses

- retention of existing businesses and attraction of new ones

ED-2: Promote a positive business climate
Policies support:
- valuing the role of businesses in the community
- a reasonable, responsive and timely tax and regulatory environment
- a culture of creativity and innovation
- consideration of the economic impacts and benefits of land use decisions
- education and training opportunities and a skilled work force
- incentives to encourage economic development

ED-3: Strengthen the unique role and economic success of Kirkland's commercial areas
Policies support:
- economic success within business districts
- operation of businesses to enhance community character and minimize impacts
- infill and redevelopment consistent with role of each commercial area
- development standards to promote attractive commercial areas

ED-4: Develop and implement economic development strategies that reflect the role of Kirkland businesses in the regional economy
Policies support:
- competitive advantage of Kirkland businesses
- collaboration with other cities and agencies to enhance Eastside and regional economic development

ED-5: Provide infrastructure and public facilities to support economic activity and growth
Policies support:
- building and maintaining infrastructure to support the business community
- strong circulation linkages within commercial areas
- regional infrastructure initiatives

ED-6: Foster collaborative partnerships among community interest groups to achieve desired economic goals
Policies support:
- working with business organization and community stakeholders
- partnership of diverse community representatives to develop and implement strategies

ED-7: Recognize Kirkland's artistic, cultural, historic and recreational resources as important contributors to economic vitality
Policy supports:
- businesses and organizations involved in arts, historic preservation and civic activities

<u>Pathway to Kirkland's Economic Future</u> (TIP report)

This report was completed in March, 2005 under the auspices of the Kirkland Economic Partnership (KEP). The purpose of the report was to "prepare a strategic plan to help guide Kirkland's future economic

development efforts." The report was prepared in three phases, the findings of which are summarizes as follows:

Discovery

Three themes:

- Kirkland is a highly desirable place to live and work
- Change in Kirkland is slow and often difficult
- Residential quality of life is the cornerstone for Kirkland decision-making

Four key issues need to be addressed:

- Lack of undeveloped land
- Undesirable perception of the business environment
- Promotion of development in specific areas (Totem Lake and Downtown)
- Communication

Opportunity

Preliminary strategies:

- Create a new economic development authority and establish a formal communications strategy for economic growth
- Improve the business investment environment
- Focus on prime development areas: Totem Lake and Downtown
- Develop a marketing plan directed toward the Puget Sound market

Implementation

Final strategies:

- Capitalize on regional growth
  - Take advantage of expansion of knowledge industries.
  - Strengthen relationship to technology industries and supporting professional services.
- Improve the business investment environment
  - Kirkland needs to be perceived as a good place to do business
  - Integrate planning and zoning issues with the needs of business & developers
- Business growth areas
  - Three key areas: Totem Lake, Downtown and 85th St. Corridor
  - Juanita Village is a good example of how redevelopment can provide housing and retail opportunities while enhancing quality of place.
- Communications and organization
  - Media strategy
  - Coordinated public input
  - Person or entity with clear responsibility for economic development

<u>Kirkland Industrial Zoning Study</u>

Issues prompting study:

- Whether designated industrial lands will retain and attract intended businesses, or whether demand and needs of new users will find the overall characteristics insufficient to meet their needs.
- What types of City actions might be needed to retain and/ or attract industrial uses?
- If industrial is less likely, what are the alternatives and how is the transition accomplished?

Conclusions:

- Shift from industrial type uses is already a factor in leasing space. Finding industrial tenants is increasingly difficult. Warehouse and distribution are moving to other areas with newer, less costly stock closer to labor force.
- Demographic changes, home pricing, increasing land values, traffic congestion, and employment shifts militate against competitively priced industrial space. Based on trends, emphasis should be on creation of higher density employment space for professional and technology uses that can employ high wage local residents and that can afford higher land and development costs.
- Most effective change is not in the City's hands, but with property owners of obsolete stock. Due to market changes, industrial zones have become target seeking lower rents than in other commercial zones. As the number of other uses increases in industrial zones, the area is less attractive for industrial uses.
- City actions should focus on ideas of clustering businesses, providing buffer or transition zones and re-aligning ideas about attracting new businesses.

Actions to retain businesses:

- Zone for finer grain of uses. Where industrial preservation is desired and possible, eliminate uses erode industrial character.
- Buffer areas preserved for industrial uses with transition retail and service uses.
- Make auto row designation separate from technology uses.

Actions to enhance redevelopment

- Rezone area overtaken by non-industrial uses to better match future employment and neighborhood trends
- Consider some conversion to residential buffers near existing residential areas.
- Resolve zoning to allow clear certainty for redevelopment.

Actions to create conditions for new businesses:

- Revise regulations to allow supporting retail and services for professional offices and technology uses.
- Increase building height limits in areas where conversion to office and technology uses is desired.
- Reduce setback requirements for office and technology uses.
- Establish different street standards for industrial areas than for office and technology areas.

Topics for Council Discussion

What are the opportunities and challenges for the Kirkland economy?

Opportunities

The Puget Sound region is experiencing an economic upturn with an expected continuation of economic prosperity – 3.0% growth for the next few years. Kirkland is home to some of the rising business clusters (IT, FIRES) and well-known businesses that exemplify these clusters (FileNet, Google, HouseValues.com, Bungie Studios). The downtown and neighborhoods are known attractions to well-compensated, knowledge-based employees who populate these firms.

Kirkland has significant medical, construction, and auto sales business clusters; medical is buoyed by the Evergreen Hospital expansion and the nearby biotech concentration in Bothell, construction is benefiting from a boom in home building and remodeling, while auto sales remain a consistent retail anchor of the local economy. The city offers a variety of retail options, ranging from small neighborhood shopping areas to the big box stores in Totem Lake etc., to downtown, a destination/tourism venue as well as a neighborhood.

Challenges

- In the office market, a large number of speculative office buildings (7) due to come on line over the next several years in Bellevue could impact the Kirkland market much like the drop in prices and vacancies impacted markets during the dotcom bomb. How best to compete?

- Do we understand the product that key business clusters are looking for? Do we have adequate space (or land zoned appropriately) to reap the benefits of small high tech and professional service firms who would locate here? Totem Lake office space is the second phase of the project, and Park Place second phase development plans will need to be revived. Land ripe for redevelopment may need to be assembled in order to be put to productive reuse, and those property owners convinced of the value proposition in redevelopment. Traffic congestion could limit development capacity for certain commercial districts.

- Improving the vitality of downtown is critical because of its contribution to the local economy as a tourist destination, its attraction to new economy businesses and the high paying jobs they provide, and new residential development. There are 25 known vacancies in downtown at present. Concerns range from whether the right mix of businesses exists, to recruitment and sustainability of unique businesses. (Unique businesses are more likely to be undercapitalized and not equipped with viable business plans to sustain their operations). There also is concern about the fragility of the sense of place that downtown conveys through its buildings, armature, and art. How best to ensure this uniqueness with the onslaught of new construction? Last, for those who consider downtown their neighborhood, there is a concern about lack of professional services, especially medical services, and the concentration of the latter around the hospital.

- The development community's perception of our taxes and permitting is critical to the success of recruitment and retention. There are mixed opinions, some of which might be assuaged by reliable information and real-time applications to individual businesses. Our materials need to respond to the needs of target clusters (business and demographic data, available sites etc.), the concerns of complex development projects, as well as helping those who seek simpler permits (i.e. separating the sign requirements and application on the website might be best for this popular permit).

- Kirkland's residential neighborhoods (and the business districts that serve them) are key business attractors. (FileNet for example went from 18% to over 50% of employees living in Kirkland since opening in 1999). Making sure that neighborhood business districts remain vital is important to the vitality of the local economy and the attractiveness of residential neighborhoods.

What are the strategies Kirkland might adopt to meet challenges/realize opportunities?

- Work internally or with a consultant to weave the results of Industrial Land and TIP studies and delineate, prioritize, and implement economic development strategies in City staff workplans and consultant contracts

- Promote the Kirkland business climate by enhancing the **'Doing Business in Kirkland'** space on the City website including:
    - Business districts – boundaries, zoning etc.
    - Opportunity sites – Zoning updates, contacts, brief descriptions, mapping
    - Fact sheet on comparative tax rates with surrounding communities with real-time computation of probable taxes for prospective businesses
    - On-line permit and license applications
    - Average permit time/costs for land use and building permit processes-could also be a real-time computation
    - Regular updates to property owners (web subscribers), developers, realtors, site selectors and others advising them of zoning that promotes development – comprehensive listings and by business district

- Tourism provides a number of jobs and strong tourism marketing should support the tourism development goals of the city and tourism stakeholders, and work in concert with local economic development. Consumers want diverse experiences and make choices regardless of organizational borders and boundaries. Vital to building sustainable tourism and gaining overnight and day trip visitors is:
    - Development of the Downtown core and Totem Lake, events and festivals, parks and beaches, taking advantage of trends and working to address challenges.
    - Currently Kirkland hotels are booked at 60-70% or better Sunday through Thursday, but lag over the weekends (Friday- Saturday). The addition of the Heathman Hotel in 2007 and the Courtyard by Marriott this summer will add additional rooms for visitors and help to increase the overall LTAC budget.
    - The tourism marketing strategy encompasses all of Kirkland and also should continue to branch out beyond the city borders to make linkages that make sense to the consumer/target markets. Kirkland's marketing efforts will yield the greatest results by linking to other destination marketing organizations (DMOs) wherever possible. This will leverage visitor awareness throughout the Eastside, Puget Sound, Pacific Northwest, and the domestic and international travel marketplace.

- Develop marketing plan to promote Kirkland to a variety of audiences.
    - Translate planning reports (Industrial Lands, Community Profile), and projects (i.e. Totem Lake Mall) and events into promotion pieces.
    - Set meetings with editorial boards of local newspapers and magazines
    - Place pieces in regional and local media
    - Use web-cams to promote the progress of Totem Lake Mall
    - Provide WSDOT video of I-405 work and other capital projects to area businesses to communicate timelines, optional routes etc., to customers

- Provide hands-on technical assistance (planners and others) to help owners/developers implement land assembly/redevelopment. (City of Tacoma has exemplified this approach.)
- Define enhancement programs for each business district type. Possible programs ongoing and new might include:

    - **Totem Lake** – Totem Lake Mall coordination and promotion
    - **Totem Lake West** – Implement plan (informational and promotional) to help mitigate impacts of I-405, Totem Lake Mall construction
    - **Downtown** – Determine whether to revisit Downtown Strategic Plan.
    - **Downtown** - Determine whether to restart Lakeshore Plaza project.
    - **Downtown** - Retain CTED or private consultant to oversee study of mix of uses and to prepare recruitment/retention plan
    - **Downtown** – Provide technical assistance to tenants to prepare business plans, marketing plans, through Bellevue or UW Bothell Entrepreneur Centers etc.
    - **Neighborhood business districts** – Work with Chamber and City neighborhood program to build relationships with business leaders and between business and neighborhood leadership

- Target industry clusters such as satellite software development companies and life science businesses (health care) and form task forces to plan and execute recruitment campaigns
    - Identify 2-3 CEOs per cluster to form task forces
    - Prepare business plan for recruitment
    - Design, distribute recruitment package
    - Work closely with local business organizations, enterpriseSeattle, Trade Development Alliance, trade groups such as the Washington Software Alliance and others to promote Kirkland business and recruit businesses representing key clusters

- Identify indicators and performance benchmarks for economic development program and implement performance measurement program
    - Goals of the program, revenue, jobs, services might be the basis of benchmarking

Is Kirkland organized to respond to challenges, launch strategies?

After a series of contractual engagements with economic development staff, the City has retained an Economic Development Manager located in the CMO to delineate long and short-term strategies for addressing economic development goals. In addition, a part-time Advocate, paid for by the City and employed by the Chamber, advises small businesses on permitting and other business with the City, and also arranges retention visits with local employers. An Advisory Committee comprised of local businesses, business organizations, institutions, neighborhood advocates and City representatives meets monthly to share information and receive updates from the Advocate regarding retention activity. Assessments of the performance of the Advocate and the KEP Advisory Board are ongoing.

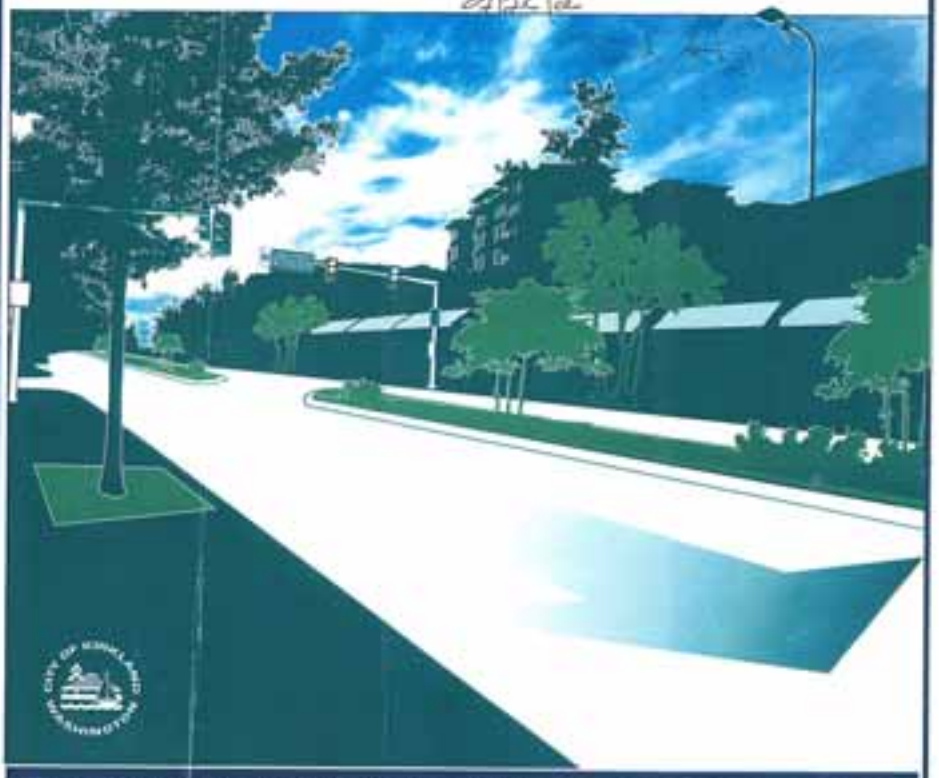
Strategies

- Strengthen connections between economic development and all other city activities
- Centralize business information on City website with links to other business sites
- Prepare report on Kirkland Economic Partnership (KEP), and Advocate role, including input from advisory board membership, city staff and clients served, best practices from other cities, etc.
- Prepare options for economic development organizational structure and service delivery vehicle for Council consideration

Staff has prepared several maps and a list of major development projects for use in the Council's discussion on economic development (see attached).

Joining in the Celebration of Central Way:

ROLL OUT THE CARPET!



COME DOWN AND CHECK-OUT WHAT WE HAVE DONE FOR CENTRAL WAY!

Date

Name
Address
City, State Zip

Dear Mr. Name:

Welcome to Kirkland! On behalf of the City of Kirkland and the Greater Kirkland Chamber of Commerce, I want to extend warm wishes to you and your business for a prosperous future.

Kirkland is serious about business. We are committed to making Kirkland work for you. Our goal is to provide you with fast, efficient customer service, a competitive business tax structure, a safe and clean environment for doing business, and fair and consistent regulations.

I also am pleased to inform you about several local business assistance resources that are available to you. Whether you need help navigating City processes, securing a sign permit, finding suitable space for expansion and relocation, or other business operational concerns, City and Chamber staff stand ready to assist.

Please feel free to visit City Hall in-person at 123 Fifth Avenue, call (425.587.3000) or visit the City's website (www.ci.kirkland.wa.us) to pose your questions to knowledgeable staff.

I also would like to make you aware of Duncan Milloy, Kirkland's Business Retention Consultant. The Consultant is the product of a partnership between the City of Kirkland and the Chamber of Commerce. He is available to assist you with business retention issues, and would be pleased to speak with you over the telephone, via email, or visit with you at your place of business or in his office. Mr. Milloy's office is located at the Kirkland Chamber of Commerce, 401 Parkplace, Suite 102, Kirkland, WA 98033. His telephone number is 425.822.7066 and his email address is duncanm@kirklandchamber.org.

Again, welcome to Kirkland! May you and your business thrive here.

Sincerely,

Mayor James Lauinger
City of Kirkland

JL:jm

A Snapshot of Kirkland*

Land Area - 11 square miles

Population (2006) - 47,180
Forecast 2030 - 58,267 (does not include potential annexation)
Potential Annexation Area - 32,000 people, 7 sq. miles

Employment - 30,865
Employment by Industry:
- construction - 7.5 %
- FIRES - 7.0$
- manufacturing - 6.2%
- retail - 13.5%
- services - 44.2%
- WTCU - 6.8%
- government - 10.6%
- education - 4.3%

Top Employers
- Evergreen Healthcare
- City of Kirkland
- Housevalues, Inc
- Kenworth Truck Co.
- Costco Wholesale
- Lake Washington Technical College
- Fred Meyer
- Wireless Data Services
- Digeo, Inc

Commercial/Industrial Space - 11,718,900 (sq. ft.)
Office - 4,906,000
Retail - 3,463,900
Industrial - 3,348,000

Potential Development Space - 6,540,327
Office - 2,711,336
Retail - 3,656,513
Industrial - 172,478

City of Kirkland
Budget (2005-2006) - $278,409,296
Employees - 429

Information gathered from the City of Kirkland, Puget Sound Regional Council (PSRC) and Washington State Employment Securities.

contact information:

Ellen Miller-Wolfe, Economic Development Manager
emwolfe@ci.kirkland.wa.us · (425) 587-3014

2006 Downtown Projects And Studies

A Boulevard Condominiums
Project Description: 119 residential condominium units with ground floor retail located above structured parking. Three stores above Kirkland Avenue.

B Heathman Hotel
Project Description: 91 hotel units located above four levels of underground parking (116 stalls) and meeting rooms. Four stories above Kirkland Avenue.

C Kirkland Central Condominium Mixed Use
Project Description: 110 residential condominium units above ground floor retail and structured parking. Five stories above Kirkland Avenue.

D State Street Condominiums
Project Description: Approximately 124 residential condominium units above structured parking. Three stores above average grade.

E Merrill Gardens Senior Housing
Project Description: Five-story mixed use senior housing/retail project.

F 424 Central Way Condominium Mixed Use
Project Description: Three-story retail/office/condo project.

G Kirkland Yacht Club Marina and Breakwater
Project Description: Construct new breakwater, remove and reconstruct marina for approximately 100 boats.

H1 Central Way Water and Sewer Project
Project Description: Upgrade aging water, sewer, and storm drain utility lines in Central Way between 6th Street and the intersection of Market Street and Waverly Way. Underground overhead lines on Central Way.

H2 Capstone Kirkland Residential Mixed Use
Project Description: 100 residential units above ground floor retail with two levels of below-grade parking.

I Downtown Transit Center
Project Description: Sound Transit improvements for Downtown Transit Center.

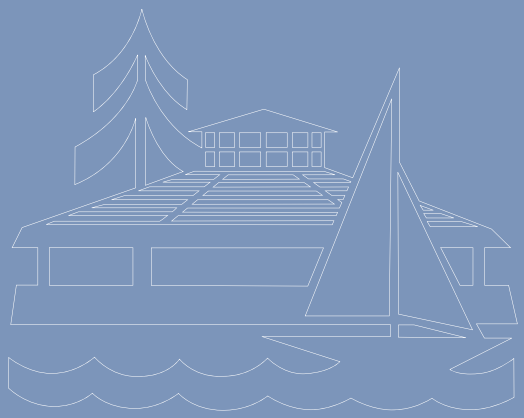
J Lakeshore Plaza at Marina Park (Concept Plan)
Project Description: Waterfront plaza located over public parking structure. New “main street” retail and restaurant to activate the plaza, new amphitheater, and a new community pavilion.

= Public Project = Private Project

Business Retention Consultant
Status Report
October ’06—February ’07

- Orientation
  - City Hall 101
  - Review of all KEP data since program launch
- Welcome Calls to Newly Licensed Businesses
  - Follow-up to Mayor’s welcome letter launched in mid-Dec. ‘06
  - 41 conversations
  - 70 voicemails
  - 111 total contacts
- Case Work
  - 5 in-depth telephone consultations
  - 17 in-person client consultations
- KEEP Visits
  - Lake Washington Technical College
  - Ongoing outreach to targeted businesses
- Focus reas
  - Real estate searches/relocations
  - Signage
  - Permit application process
  - Zoning code requirements
  - Business planning

Duncan Milloy, Business Retention Consultant



kirkland business roundtable

contact the kirkland business roundtable:

Ellen Miller-Wolfe
Economic Development Manager

City of Kirkland
123 Fifth Avenue
Kirkland, WA
emwolfe@ci.kirkland.wa.us
(425) 587-3014

kirkland is filled with successful and innovative businesses that sustain our local economy, provide services we need to maintain our exceptional quality of life and family-wage jobs for our residents. Cities thrive when people with commitment, energy and ideas get together to make great places even better.

To help move Kirkland forward as a community, business center, and tourist destination the City of Kirkland is creating a CEO-level Business Roundtable representing major Kirkland business clusters and the institutions that support them.

assumptions

- There is regional opportunity for growth industries (examples: IT, Biotech, Clean Energy, Architecture/Engineering, Tourism), but there are challenges to retaining and recruiting these businesses for Kirkland.
- Government working with the private sector can connect research, job pools, financing, and infrastructure/transportation (of people and products), to increase business viability and enhance quality of life.

current challenges

- Adequate space to accommodate and increase growth of small high tech and professional service firms
- Adequate infrastructure to support business district growth such as fiber optics, roadways, and utilities
- Downtown retail and office supply
- Transitioning NE 85th and Totem Lake from light industrial and storage to high-tech office
- Promoting Kirkland as both a tourist and business destination

why participate?

- Help guide economic development policy for the City.
- Benefit from information provided by City elected officials and senior management regarding city vision, policies and regulations, and future opportunities.
- Benefit from a better understanding of the business climate that supports the overall success of the local economy, and how to take advantage of larger regional, national and international trends.
- Public-private partnerships and opportunities can develop thru connections made among Roundtable participants.
- Kirkland will be perceived as a good place to do business because of the working relationship of the public and private sectors.

possible work items

- Regulatory Streamlining
- Infrastructure and service delivery improvements
- Promoting Kirkland as a good place to do business
- Identifying opportunities and business prospects and helping to bring them to Kirkland
- Investing in human capital such as networking events, training and education
- Improving arts, education, recreation and amenities that cement employee ties to this community
- Improving the regional business environment
- Working with regional political representatives and others on transportation, tax reform, sustainable education funding and other legislative efforts

expected commitment

The Roundtable will review current economic development challenges and opportunities, brainstorm around different approaches to address these, and recommend new strategies. While we value group recommendations, we also will look to individual members to contribute and advocate in their areas of expertise.

Quarterly meetings will take place at various venues in Kirkland. Meetings will include breakfast, presentations by local and regional business leaders on economic development issues, and opportunities for discussion.

Kirkland Business Roundtable
2007 Work Plan

Key Issues to Pursue

1. **Workforce attraction, retention and development**
   - Identify what qualities attract potential employees to Kirkland.
   - Is "Kirkland Cool" a factor and if so what in particular?
   - What are the barriers or disincentives to working in Kirkland?
   - Identify strategies to attract quality employees.
   - Is employee retention a problem and, if so, what are reasons?
   - What can be done to retain quality employees?
   - Identify strategies to help employees and their businesses with employee training and development.

2. **Green Kirkland**
   - Identify all the environmental stewardship efforts currently taking place in Kirkland—public and private.
   - What can be done to promote the concept/image of Green Kirkland?
   - Identify business opportunities created by the theme of Green Kirkland.
   - Does promoting Green Kirkland make strategic business sense?
   - Identify opportunities for businesses and their employees to participate in Green Kirkland efforts.

3. **Creating an Entrepreneurial Environment**
   - How many "start-up" and/or "small entrepreneurs" are there currently in Kirkland?
   - What types of industries do they represent?
   - Identify strategies for making contact with these entrepreneurs.
   - What are the needs, issues, and problems faced by these entrepreneurs?
   - What can be done to create a supportive environment for them?
   - What can be done to attract more entrepreneurs?

4. **Real Estate Products**
   - What types of work space are needed to attract and retain businesses?
   - Does Kirkland have a sufficient supply of these kinds of work spaces?
   - Delineate strategies and incentives to increase the supply of work space.
   - Where are the opportunities for more work space?

Kirkland Business Roundtable

	COMPANY	REPRESENTATIVE / CONTACT	POSITION	PHONE	EMAIL
CLUSTERS					
INFORMATION TECHNOLOGY	Codesic Inc	Ray Makela	Chief Customer Officer	(425) 576-2160	ray.makela@codesic.com
	Filenet Corporation	David Despard	Senior VP of Global Professional Services	(425) 893-7000	ddespard@us.ibm.com
	Google Inc	Peter Wilson	Engineering Director	(425) 739-5751	peterw@google.com
VIDEO GAMING	Monolith Productions, Inc	Samantha Ryan	Chief Executive Officer	(425) 739-1565	samryan@lith.com
ENGINEERING	AMEC Earth & Environmental Inc	Jim Shellooe	Washington Area Manager	(425) 820-4669	jim.shellooe@amec.com
	The Transpo Group Inc	Bruce Haldors	President	(425) 821-3665	bruceh@thetranspogroup.com
	Associated Earth Sciences	Brenda Nunes	Director of Marketing	(425) 827-7701	bnunes@aesgeo.com
RETAIL	Costco Wholesale	Hal Kaplan	Vice President Corporate Treasury	(425) 313-6750	hkaplan@costco.com
	Michael O'Brien Enterprises (Toyota)	Mike O' Brien	President	(206) 283-5531	ob@obauto.com
	Lee Johnson Chevrolet, Inc	Brett Johnson	Manager	(425) 827-0521	bjohnson@leejohnson.com
	The Green Car Company	Susan Fahnestock	General Manager	(425) 820-4549	susan@greencarco.com
	Housevalues.com	Matt Heinz	Senior Director of Marketing	(425) 952-5664	matth@housevalues.com
HOSPITALITY	Woodmark Hotel	Mark Nowak	General Manager	(425) 803-5565	marc.nowak@thewoodmark.com
	Heathman Hotel	Don Holt	Principal	(425) 284-5800	dholt@heathmankirkland.com
TELECOM	Clearwire International LLC	Rick Harms	GM of Sales	(206) 730-3157	Rick.Harms@clearwire.com
	Wave Broadband	Steven Weed	Chief Executive Officer	(425) 576-8200	stevew@wavebroadband.com
HEALTH	Evergreen Hospital	Steve Brown	Chief Executive Officer	(425) 889-2610	sbrown@evergreenhealthcare.org
MANUFACTURING	Kenworth Truck Company	Bob Christensen	General Manager	(425) 828-5196	bchristensen@paccar.com
ECONOMIC FOUNDATIONS					
EDUCATION	Lake Washington Tech College	Mike Metke	President	(425) 739-8200	mike.metke@lwtc.edu
	Athena	P.S. Reilly	CEO & President	(206)686-9330	psreilly@athenacompany.com
FINANCE	Frontier Bank	Mike Nelson	Vice President	(425) 889-2265	mnelson@frontierbank.com
	Paladin Partners	Janis Machala	Founder and Managing Partner	(425) 739-0978	janism@paladinpartners.com
REAL ESTATE	Carillon Properties Management	Sue Gemmill	Property Manager	(425) 822-1700	sue@carillonprop.com
	CamWest Development Inc	Eric Campbell	President	(425) 825-1955	ecampbell@camwest.com
	Michael J. Raskin Development Inc	Michael J. Raskin	Partner and Founder	(425) 822-4466	mike@mjrdevelopment.com
	Hallmark Realty	Doug Davis	President	(425) 822-1241	ddavis@hallmarkrealty.com
	Park Place	Michael Shulman	Managing Partner	(425) 827-7789	mshulman@kirklandparkplace.net
GOVERNMENT	City of Kirkland	Ellen Miller Wolfe	Economic Development Manager	(425) 587-3006	emwolfe@ci.kirkland.wa.us
	City of Kirkland	David Ramsay	City Manager	(425) 587-3001	dramsay@ci.kirkland.wa.us
	City of Kirkland	Jim Lauinger	Mayor	(425) 587-3001	jlauinger@ci.kirkland.wa.us
	City of Kirkland	Jessica Greenway	City Council Member	(425) 587-3001	jgreenway@ci.kirkland.wa.us
	City of Kirkland	Bob Sternoff	City Council Member	(425) 587-3001	bsternoff@ci.kirkland.wa.us
OTHER	Chameleon Technologies	Melissa Acton	Principal	(425) 827-1173	melissa@chameleontechinc.com
	Kirkland Chamber of Commerce	Bill Vadino	Executive Director	(425) 822-7066	billv@kirklandchamber.org
	Northwest Entrepreneur Network	Cynthia Chirot	Chief Executive Officer	(425) 564-5700	cchirot@nwen.org
	Puget Sound Energy	Jim Hutchinson	Community Relations Manager	(425) 462-3786	jim.hutchinson@pse.com

Kirkland Business Roundtable

	COMPANY	ADDRESS
CLUSTERS		
INFORMATION TECHNOLOGY	Codesic Inc	10210 NE Points Drive, Suite 410
	Filenet Corporation	720 4th Ave
	Google Inc	720 Fourth Ave, Suite 400
VIDEO GAMING	Monolith Productions, Inc	10516 NE 37th Cir
ENGINEERING	AMEC Earth & Environmental Inc	11335 NE 122nd Way, Suite 100
	The Transpo Group Inc	11730 118th Ave NE
	Associated Earth Sciences	911 Fifth Ave, Suite 100
RETAIL	Costco Wholesale	8629 120th Ave NE
	Michael O'Brien Enterprises (Toyota)	PO Box 726
	Lee Johnson Chevrolet, Inc	11845 NE 85th St
	The Green Car Company	1129 8th St
	Housevalues.com	11332 NE 122nd Way
HOSPITALITY	Woodmark Hotel	1200 Carillon Point
	Heathman Hotel	220 Kirkland Avenue
TELECOM	Clearwire International LLC	5808 Lake Washington Blvd NE
	Wave Broadband	401 Kirkland Parkplace Suite 410
HEALTH	Evergreen Hospital	12040 NE 128th St
MANUFACTURING	Kenworth Truck Company	10630 NE 38th Pl
ECONOMIC FOUNDATIONS		
EDUCATION	Lake Washington Tech College	11605 132nd Ave NE #S1-S8
	Athena	5914 lake Washington Blvd
FINANCE	Frontier Bank	132 Kirkland Ave
	Paladin Partners	1644 10th St W
REAL ESTATE	Carillon Properties Management	3240 Carillon Point
	CamWest Development Inc	9720 NE 120th Pl, Suite 100
	Michael J. Raskin Development Inc	6725 116th Ave NE, Suite 100
	Hallmark Realty	101 Lake Street South
	Park Place	401 Parkplace Suite 105
GOVERNMENT	City of Kirkland	123 Fifth Ave
	City of Kirkland	123 Fifth Ave
	City of Kirkland	123 Fifth Ave
	City of Kirkland	123 Fifth Ave
	City of Kirkland	123 Fifth Ave
OTHER	Chameleon Technologies	520 Kirkland Way, Suite 101
	Kirkland Chamber of Commerce	401 Parkplace ,Suite 102
	Northwest Entrepreneur Network	P.O. Box 40128
	Puget Sound Energy	PO Box 97034

What you said:

Results of Kirkland Business Roundtable Meeting 1/10/07
"Attracting and Keeping a Skilled Workforce"

Challenges

1. Transportation
   - 520 improvement needs leadership
   - Good transportation for second shift and late night workers
   - More direct routes to Kirkland business locations (commutes that are less than 30 minutes)
   - Parking in downtown Kirkland

2. Housing Affordability
   - A variety of housing types and pricing
   - Affordable rentals in downtown for younger employees
   - Single family homes in the $500,000 price range

3. Promotion
   - Need to promote Kirkland to internal and external audiences
   - Need to make necessary information—events, schools, transportation—accessible

4. Other
   - Lifestyle—Providing amenities that employees might want nearby
   - Recruitment—Finding the right skill set—technical and communication abilities

Strategies

1. Develop online promotional information suitable for downloading for recruitment packages
   - Virtual Tours
   - Comparative data that explains how Kirkland compares with other best places
   - Maps
   - Community Bulletin Board
   - Picture file for use by companies in their recruitment efforts

2. Promote interesting nightlife and live music scene

3. Promote multi-modal transportation options and downtown parking availability

4. Develop online one-stop connection for jobs/work/housing

5. Promote training opportunities
   - High school outreach by business community to talk about skills needed for future employment
   - PR campaign to promote training opportunities at higher education institutions, on-demand resources for businesses, and tax incentives for workforce training

We welcome your ideas!

Please contact Ellen Miller-Wolfe at emwolfe@ci.kirkland.wa.us or
Jeannie McGivern at jmcgivern@ci.kirkland.wa.us

What we are doing:

On the business counseling and training front:
Working with Lake Washington Technical College, University of Washington Bothell, and other educational institutions we are connecting training resources to business districts and individual companies. For example, a UW Bothell Student Consulting Team recently completed a survey and recommendations for the Kirkland downtown retail cluster, and the UWB Business Assistance Center is currently working with several Kirkland companies on growth strategies. The City is a cosponsor (together with the Washington Small Business Development Center at BCC, the City of Bellevue, Viking Bank, and the Eastside Business Monthly) of the *Eastside Hot 100 Pilot Program*, a program offered by Bellevue Community College to accelerate the growth of small businesses.

On the community information and marketing fronts:
Go to Kirkland Business Roundtable website at www.ci.kirkland.wa.us/Business/BizRoundtable.htm or go to ExploreKirkland.com to retrieve information on current events in Kirkland. In addition, starting in the first quarter of 2007, the City Economic Development and Tourism Programs will develop a new marketing package for Kirkland including a lifestyle video suitable for web casts and stand alone presentations, print materials, and trade show presentation equipment.

On the downtown improvement front:
In the first quarter the City will initiate a Downtown Strategic Plan Update and offer opportunities for Kirkland businesses and their employees to participate. Companies may want to sponsor employee focus groups to provide recommendations for what they envision for a lively downtown environment.

On the transportation front:

- 520: The regional transportation improvement district has announced its draft plan for fall, 2007 ballot measures. Substantial, but not full funding for the SR 520 bridge replacement and HOV project is included. Although this is an important step forward, work is still needed to secure the remaining funding. Also significant was the Governor's support for the six-lane alternative as the preferred alternative for the 520 project.
- Downtown parking: The City added over 60 new on-street stalls in downtown Kirkland this past year. New stalls on Central Way, Lake Street, Kirkland Avenue and in the Lakeshore Plaza parking lot are conveniently located for visitors. Additionally, permit-only stalls for employees in the lowest level of the garage are now open to all users after 6:00 p.m.—over 180 stalls for public use in the evening hours. When combining public and private stalls, there are about 1000 parking stalls in downtown Kirkland.
- Transit: Despite design issues that caused a portion of the new ramps to fail at the NE 128th Transit Access overpass on I-405, Sound Transit and WSDOT expect project completion for 2007. When complete, transit riders of limited stop, express Sound Transit routes from points north and south of Kirkland will have easy access to the Totem Lake area from the HOV lanes on I-405. The transit platforms on the new ramps also will serve riders walking over from the Kingsgate Park and Ride. On February 27, groundbreaking will take place on the new Totem Lake Transit Center to be located in Evergreen Hospital's Gateway building. This Center will serve as a hub for local busses that serve Kirkland and will be a short walk from the new transit ramps.

On the housing front:

- The City is reviewing regulations to allow or encourage "innovative" cottage and compact single family homes. Two innovative housing projects were recently completed under a City initiated program. The two projects are: Danielson Grove developed by the Cottage Company (contains 12 compact single family homes ranging in size from 1,098 to 1,497 square feet in size) and Kirkland Bungalows developed by CamWest Development (contains 15 single family homes of 1,500 square feet each). The projects were allowed to build at a higher density in exchange for building smaller houses and meeting a variety of other guidelines. The projects are now being evaluated with the intent of establishing regulations to allow more of these projects throughout the City.
- In the past few years, the City has adopted a variety of incentives for developers to include affordable housing units in their projects. Incentives include increased density, flexibility in certain regulations, priority permit process and property tax abatement. While tax abatement is available downtown, other incentives are not due to public concerns about increasing the size of buildings in the downtown. Affordable housing will be a topic of conversation at the City Council retreat in March, at which time the Council will provide direction on additional measure to pursue.
- The innovative housing program mentioned above could address this need.

FEATURE

UW Bothell seniors' panacea for downtown retail

By Pauline Thompson

Here's an easy quiz: Check off all that apply when you think of downtown Kirkland:

- Restaurants
- Shopping
- Waterfront
- Bars
- Family destination

Did you check them all? Not a surprise — Kirkland is easily one of the most well-rounded, destination cities around. Loved by residents and tourists like. Especially in the summer. There are enough shops and restaurants to delight the average consumer (who just happens to be female with an income between $61,000 and $120,000).

OK. So that's positive preamble to a somewhat sobering retail scenario. During the day — between 9 and 5 — downtown seems busy, but, according to the survey, it lacks cohesiveness.

And at night, when Ms. Average Consumer leaves the restaurant with her escort or friend — where does she go? The bars? Not very likely. If she doesn't have tickets to a show at the Kirkland Performance Center, she might like to do a little shopping, maybe check out a shoe store or boutique. In general, she'd be out of luck.

All that disposable income going down the drain.

Turning Kirkland into a nighttime destination by aggregating open and closing times may be the key to unlocking Kirkland retail prosperity.

This is according to an accelerated group of business seniors at the University of Washington–Bothell, who just conducted and completed a survey of 23 downtown Kirkland retailers.

Ellen Miller-Wolfe, the city's economic development manager, along with the Kirkland Downtown Association (KDA), approached Kristen Spangler, who heads up the Business Development Center at UW–Bothell.

Spangler's seniors in her honors course in business policy and strategic management divided into groups. One of them chose the Kirkland downtown retail survey. Wolfe and the KDA limited the survey's population to retailers only — galleries, restaurants, bars were purposely excluded in order to compare apples to apples.

"I had hoped that to some degree downtown had to work together better," Wolfe says. "It needed more synergy, relationships and consistency (in terms of hours of operation). The more we could work together, the better we could perform."

The UW–Bothell team. Front row (L-R): Ali Javid, Lorene Sahakian, Thanh Dinh, Todd Huotari, Nick Padua. Back row, L-R: Karlene Behla, Kim Gard, and Cornelia St. Aubyn.

Photo by Pauline Thompson

Survey says ...

So what exactly did the survey ask and what were the results?

- A total of 282 retailers were approached, with about 8 percent responding.
- The majority said Kirkland would attract more customers if there were more high-end fashion shops, e.g., Nordstrom, or boutiques.
- The majority said that the centralized location is their main advantage, with the main disadvantage being traffic and parking.
- The busiest business hours are between 5 and 8 p.m.
- The businesses reporting significant revenue increases over the last two years have been those that have stretched opening and closing hours from 10 a.m. to 8 p.m.
- About a quarter of the businesses surveyed said they would be relocating in the next two years.

This bothers Sheila Cloney, the city's special projects coordinator and the city's tourism diva. She poses, "If you're going to move, where are you going?"

According to the survey, some retailers feel that too many surrounding shops close too early and thus drive people away. But it's not clear where these retailers would choose to set up shop.

'This is the first time that a formal report has said if you stay open later, you'll do better.' —Sheila Cloney

Bedroom community filled with commuters

Cloney understands their frustration: "Kirkland is a bedroom community. Seventy percent of the community leaves to go to work. How can these potential customers shop in Kirkland if they can't physically get back here from work?"

Another reason for the planned two-year departure by some retailers is a reported lack of support from neighboring businesses.

This is where the KDA can help. Wolfe, who works closely with Dick Beazell, KDA's executive director, says, "Part of the task for the KDA is to connect with businesses and to advise them. The message here is: If you stay open late, you'll do well."

The hours-of-operation issue is a recurring theme. Often, retailers are sole proprietors with limited financial resources. They want to get home to families and can't afford or don't trust someone else to watch the shop past 5 p.m. But now they're being told that the late hours will be profitable.

"This is the first time that a formal report has said if you stay open later, you'll do better," Cloney says. "My hope is to take a step behind the scenes and discuss why some retailers feel that Kirkland isn't a good place to do business.

Cloney and Wolfe would like your feedback. Please contact the KDA at 893-8766 or dick@kirklanddowntown.org.

Sustainable Businesses

Lake Washington Technical College

Sustainable September Brainstorm

Ellen Miller-Wolfe
Economic Development Manager
City of Kirkland

What is a Green Business?

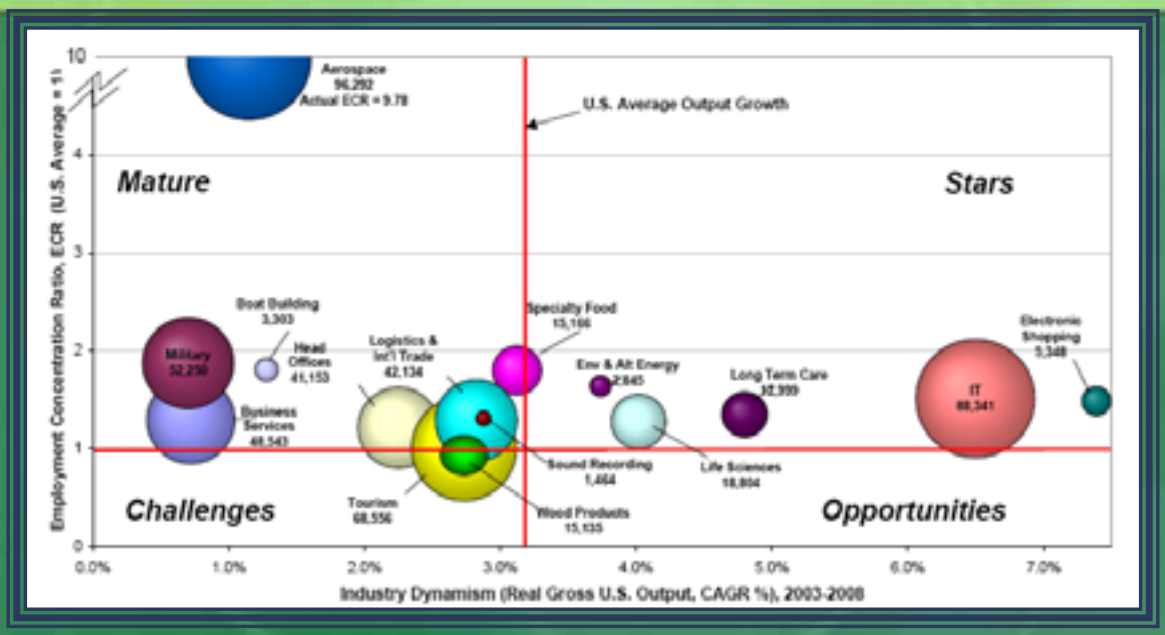
- "Sustainable industries may be defined as companies that provide a product or service whose use results in greater resource efficiency and/or reduction of negative impacts on the environment." (Portland Development Authority)

Examples of Green Business

Examples of green industries include:

- Green building products
- Recycled materials
- Sustainable agriculture
- Environmental remediation
- Energy (clean technology)
- Ecotourism
- Natural risk management
- Heat/energy saving management

Regional Clusters



- Prosperity Partnership has identified 15 clusters with significant competitive strength in the Puget Sound.
- Life sciences, IT, Environment and Alternative Energy register in large concentrations and continue to expand.

A Snapshot of Kirkland

Employment: 30,865

Employment by Industry:

Construction: 7.5%

FIRES: 7.0%

Manufacturing: 6.2%

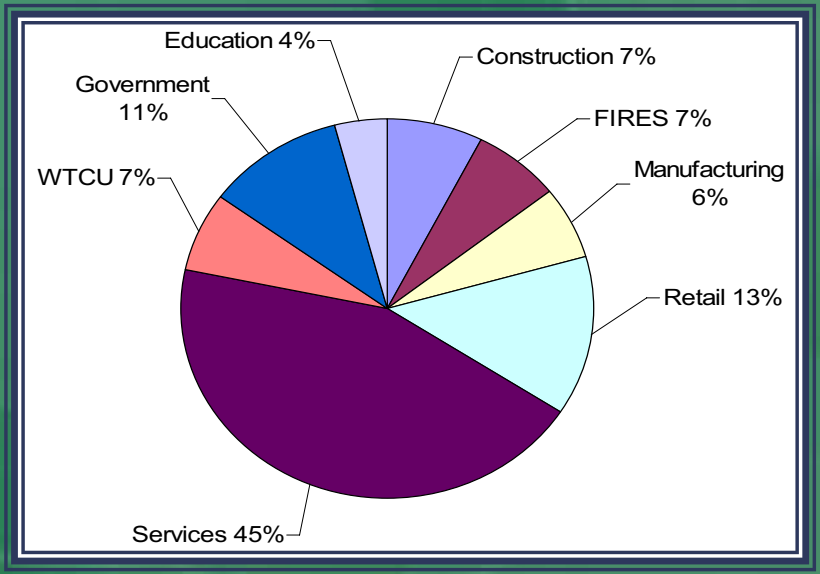
Retail: 13.5%

Services: 44.2%

WTCU: 6.8%

Government: 10.6%

Education: 4.3%



Kirkland Clusters

Kirkland Clusters:

- IT
- Engineering services–environmental angle
- Retail
- Telecomm
- Manufacturing – Kenworth plus suppliers
- Supporting partners:
    - Higher education, finance, real estate, government, Chamber, NW Entrepreneur Network, Puget Sound Energy

Representative Green Business

The Green Car Company

The Green Car Company offers a number of environmentally friendly and fuel efficient vehicles such as electric cars and diesel conversions. Through selling green vehicles they hope to bring awareness to the public about mitigating environmental impacts (carbon emissions) of transportation.

www.thegreencarco.com

Representative Green Business

CamWest

CamWest is one of many real estate development corporations who build green.

Green homes:

- Incorporate a wide variety of sustainable products.
- Exceed strict state and local codes for water use efficiency, storm water retention, energy conservation, and ventilation.

Representative Green Business

Inrix

Inrix provides real-time traffic information for freeways, arterials, and even local streets in most U.S. major cities.

Inrix is a cutting edge IT/transportation company that:

- Provides innovated designs which help create traffic-efficient technology
- This technology reduces the time you spend in traffic making your time on the road more fuel efficient.

Representative Green Business
Viridis

Viridis, which is the Latin word for green, describes this high-end, full-service salon. This is the region's first specially constructed, environmentally friendly salon.

The salon's green features include:

- A custom-designed air filtration system
- Low-V.O.C. paints
- Formaldehyde-free veneer
- Stations made of pressed sunflower seeds and soybean resin.
- Their products are derived from natural ingredients.

Representative Green Business

Yarrow Bay Beach Café

Yarrow Bay Beach Café is a cozy café at Carillon Point. The majority of the dinners this restaurant provides incorporate ingredients that are purchased from local farms.

Green Kirkland

City Environmental Stewardship & Sustainability Efforts

"We commit to the proactive protection of our environment. An integrated system of natural resource management focuses on the preservation of wetlands, trees, open space and other sensitive areas, water quality, clean air and waste reduction."

Climate Protection Efforts

- Emissions inventory and forecast, and benchmarking
- Use alternative fuels in fleet (hybrids, scooters, electric)
- Transportation Demand Mgmt. & Commute Trip Reduction

Sustainable Building & Development Practices

- Low Impact Development (techniques, standards, City projects)
- Green buildings (develop an action plan)

Natural Resources Management

- Protection of streams, wetlands, fish and wildlife, shorelines
- Open space acquisition
- Water conservation
- Cascade Land Conservancy Partnership –Invasive Management

Tree Management

- Increase tree canopy

Solid Waste/Recycling Programs

- Residential and commercial collection

Other

- Consider Green City purchasing
- Attracting green businesses and fostering green business practices
- Pest management practices

Green City I Green Business

The City of Kirkland continues to strive to be a green city. It has signed the U.S. Mayor's Climate Protection Agreement and has begun to implement green, sustainable practices in its management and operations.

End.

City Contacts:
Paul Stewart
David Barnes
Ellen Miller-Wolfe

The Future is Totem Lake

http://www.ci.kirkland.wa.us/parmacbusiness

Consider the Parmac Business Center

- **Thriving, 30-acre business center, ripe for redevelopment**
- **Ideal location – convenient access to I-405, ½ mile from Totem Center, and close to other high tech centers**
- **Substantial redevelopment potential for intensive office and high tech**

Conceptual Vision for Future Office Development

Location Parmac's location is ideal. It has both direct access to and visibility from the I-405 freeway, and lies within one-half mile of the rapidly growing Totem Lake Urban Center. Over $200 million in development and expansion efforts are currently underway in this area.
Redevelopment of the Totem Lake Mall into a mixed use center will double retail square footage to 583,600 sq. ft., add 200 housing units and 144,000 sq. ft of office space. The City and mall owners are partnering in this project - $110 million in private investment with $15 million in public investment. Substantial expansions at the Evergreen Hospital campus, siting of a regional Transit Center, improvements to I-405 and the opening of a new Marriott Hotel, will likely spur reinvestment in Parmac and other nearby areas.

Development Potential: Recent actions by the City of Kirkland acknowledge the potential of the Totem Lake neighborhood to benefit from the healthy growth of the regional economy. Changes to the City's Zoning Code allow for far greater intensity in Parmac, with building heights up to 80 feet in some areas. While older, existing industrial uses can remain, the expanded provisions for redevelopment are expected to support the region's evolution to a vital office and high technology business community. Careful attention to streetscape improvements and building design will ensure that the district presents a high-end professional image, consistent with the quality seen elsewhere in Kirkland and nearby business districts.

New Development Standards, Summarized:

Parmac Development Regulations									
Zone	Building Heights				Allowed Uses				
	Office/High Tech	Residential	Other		Office/High Tech	Stand-Alone Resid.	Resid. in Mixed Use	Stand-Alone Retail	Retail in Mixed Use
TL 10C	30'-55'	30'-55'	30'-35'		X	X	X	X	X
TL 10D	30'-80'	30'-65'	30'-35'		X	X	X		X
TL 10E	30'-80'	N/A	30'-35'		X				
Note: See Use Zone Chart for specific uses and standards.									

Contacts:

For more information about the **Parmac Business Center**, visit www.ci.kirkland.wa.us/parmacbusiness for detailed information regarding specific parcels, property owner contact information, development standards, etc.

Ellen Miller-Wolfe, Economic Development Manager, at (425) 587-3014 or emwolfe@ci.kirkland.wa.us.
Dorian Collins, Senior Planner, at (425) 587-3249 or dcollins@ci.kirkland.wa.us.

The Future Is The Rose Hill Business District

http://www.ci.kirkland.wa.us/rosehillbusiness

Consider the Rose Hill Business District

Located at the I-405 NE 85th ST freeway interchange #18 for easy access.

Visibility from freeway and high volume of vehicular trips along NE 85th ST offer excellent retail opportunities.

Close proximity to Microsoft and other Eastside high technology companies.

Mountain views are ideal for office or residential uses on upper floors.

Moderate to high income customers live nearby in strong residential neighborhoods to the north, south and Downtown Kirkland

Rose Hill Business District In Kirkland

Vision Concept For Future Retail Development

Development Potential: The Rose Hill Business District is undergoing a revitalization that will provide new business and housing opportunities. A renewed interest and increased development activity is occurring in the area, you might say we are experiencing a Rose Hill Renaissance! The City of Kirkland and Sound Transit are investing $9.7 mil of public infrastructure in the area by constructing new sidewalks, street trees, decorative lighting and under grounding transmission lines to improve pedestrian circulation and transit routes along the NE 85th Street corridor. For more information on the street improvements link to:
http://www.ci.kirkland.wa.us/depart/Public_Works/Capital_Improvements/NE_85th_Street_Corridor_Improvements_Project.htm#ne85thst.

New zoning and design regulations encourage redevelopment of underutilized property for attractive mixed use retail, office and residential centers with higher floor area ratios. Several opportunity sites exist in the area. For more information about the urban design vision link to:
http://www.ci.kirkland.wa.us/depart/Planning/Plans_and_Projects/Rose_Hill_Business_District.htm

Location: Located at the NE 85th Street and I-405 freeway interchange, the Rose Hill Business District is ideal for companies that draw from a regional market such as the existing cluster of auto dealerships and COSTCO warehouse. NE 85th Street connects Kirkland's downtown with Redmond to the east and as a major west to east transportation corridor carries 40,000 vehicle trips per day. Residential neighborhoods to the north and south provide a growing, increasingly higher income consumer base anxious to spend their dollars in their community and within close proximity of home.

Summary of Rose Hill Business District Development Regulations

Zone	Maximum Building Height	Allowed Uses
RH 3	More than 6 acres: 45-67′ (45′ above NE 85th ST) Less than 6 acres: 35′	50% retail on ground floor with office or multi family above. Other uses: vehicle sales or service, motel, hotel, restaurants, fast food, entertainment or recreational or banks.
RH 5A	30-35′	50% retail on ground floor with office or multi family above. Other uses: vehicle sales or service, motel, hotel, restaurants, fast food, entertainment or recreational or banks.
RH 7	Less than 3 acres: 30′ More than 3 acres: 45′	Same as above except no vehicles sales or service
RH 8	30-35′	Same as above except no vehicle sales or service. Individual uses are limited to 4,000 gfa

Contacts:

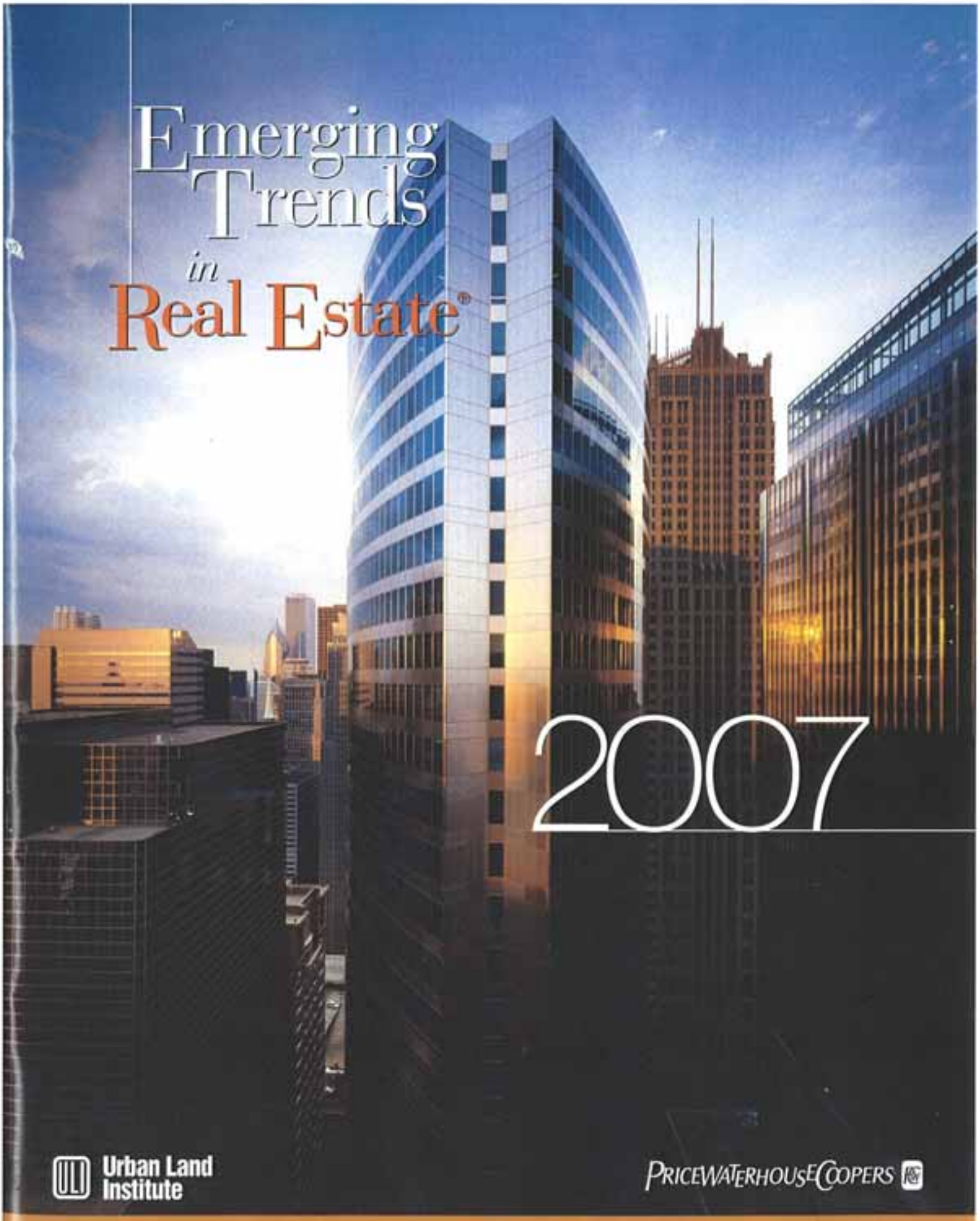
For more information about the Rose Hill Business District, visit www.ci.kirkland.wa.us/rosehillbusinessdistrict for detailed information regarding specific parcels, property owner contact information, development standards, etc.
Ellen Miller-Wolfe, Economic Development Manager, at (425) 587-3014 or emwolfe@ci.kirkland.wa.us.
Janice Soloff, Senior Planner, at (425) 587-3257 or jsoloff@ci.kirkland.wa.us

2007 WORKPLAN OPPORTUNITIES

TRENDS AND FORECASTS REGION AND INDUSTRY GROUPS

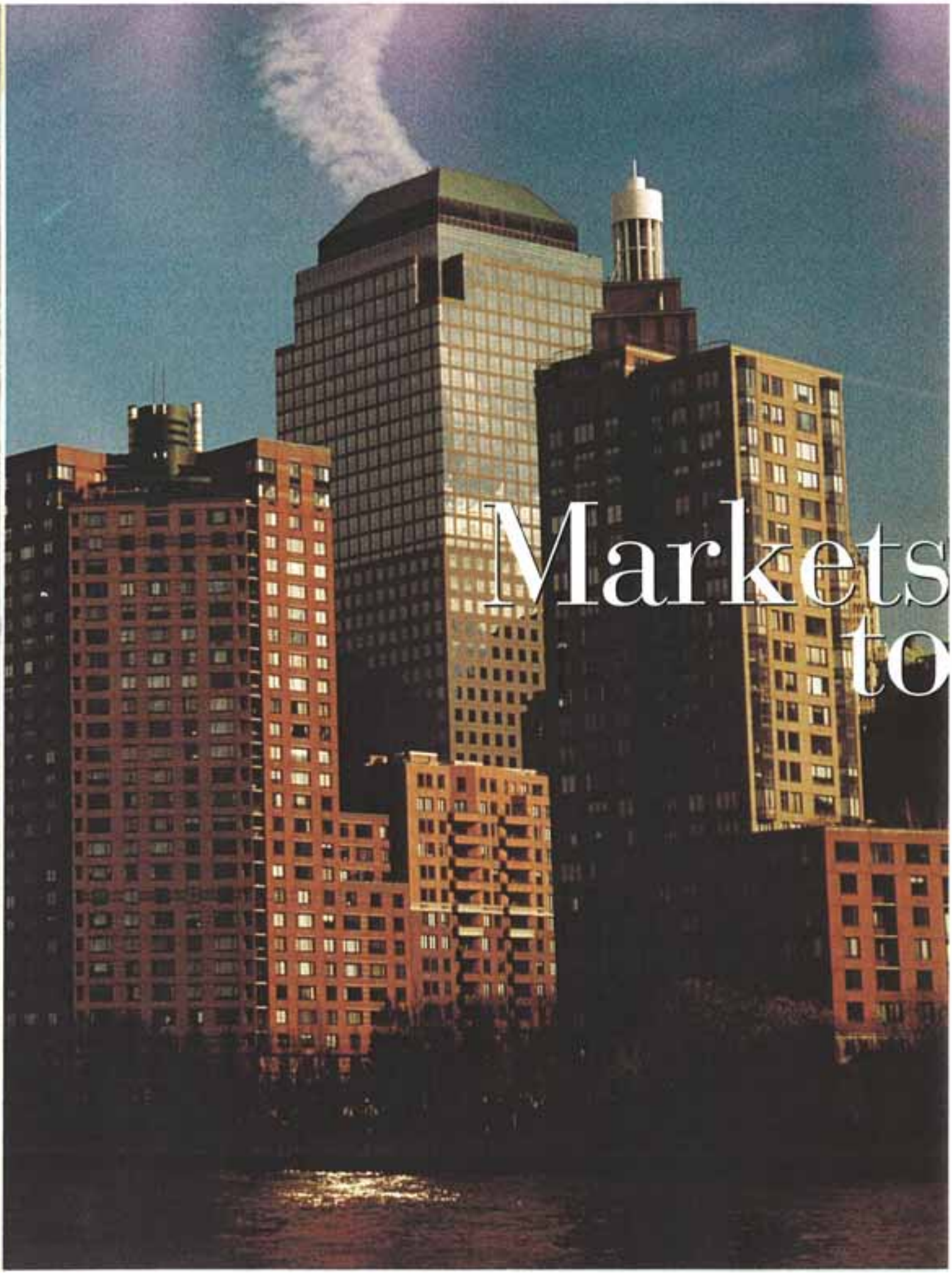
Emerging Trends in Real Estate®

2007



Urban Land Institute

PRICEWATERHOUSECOOPERS



Markets to

"Growth-constrained coastal cities closely aligned with the advancing **global economy** *have turned into the nation's investment property meccas."*

Watch

Location becomes ever more important in real estate investing as the transforming global economy increasingly determines where companies and people need and want to be. Brainpower eclipses manpower in burgeoning technology, medical/health care, and financial companies, which now constitute America's vanguard industries. Places that can attract these companies and the educated elites they employ have the greatest chance to prosper while regions dependent on waning labor-intensive manufacturing jobs struggle to remain relevant. Healthy 24-hour cities still number only a small handful and Sunbelt suburban agglomerations continue to attract growth. But energy prices and suburban congestion shift lifestyle priorities to embrace greater urban convenience. Better schools keep families in traditional suburbs, while unmarried individuals, young couples, and older adults gravitate increasingly to more pedestrian-friendly 24-hour places where cars are not essential to access shopping, leisure, and work activities. As a result, more suburban places will assume urban characteristics and mass transportation becomes even more critical for regions to manage future growth.

Global Gateways

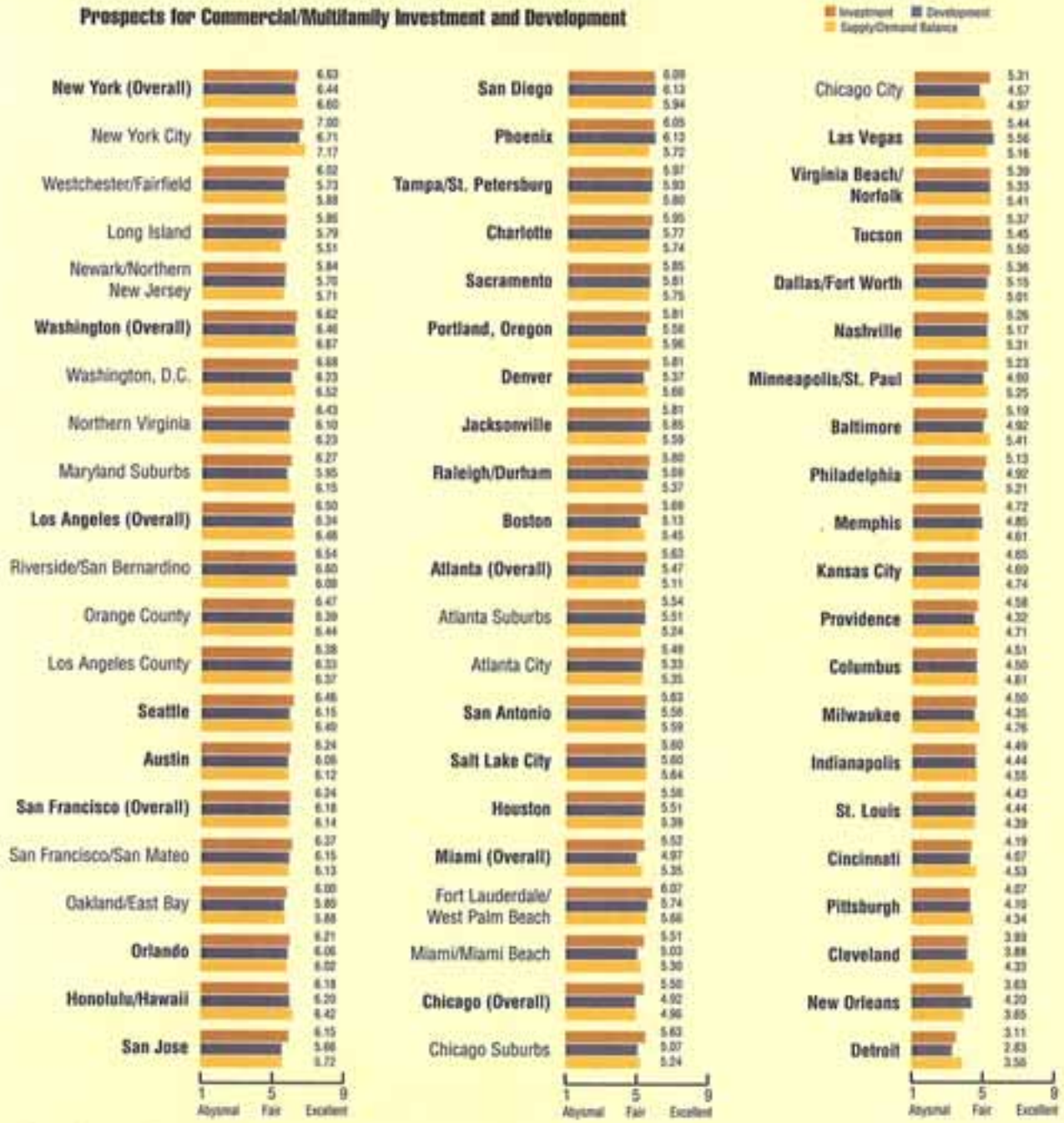
Over the past decade, *Emerging Trends* interviews and surveys solidify views about the leading real estate investment markets and the characteristics that help determine the best long-term prospects. While high-growth suburban agglomerations in the South and Southwest tend to offer better development opportunities and more affordable lifestyles, growth-constrained coastal cities more closely aligned with the advancing global economy have turned into the nation's investment property meccas. These global gateways tend to feature the following attributes that set them apart:

- Locations along global pathways with major international airports and harbor ports, providing easy access for international business and trade.
- 24-hour characteristics. Attractive neighborhoods easily accessible to office cores; pedestrian-friendly neighborhood retail (supermarkets, pharmacies, cleaners, restaurants); multifaceted entertainment/arts/recreation environments (theaters, museums, concert halls, arenas, parks); mass transportation connecting

Seattle *strengthens considerably as a gateway while Boston and Chicago weak*

Exhibit 3-1 **Markets to Watch**

Prospects for Commercial/Multifamily Investment and Development



Source: Emerging Trends in Real Estate 2007 *survey.*

but stay near the top echelon.

neighborhoods to the commercial center and providing access to entertainment venues; and relatively low crime.

■ Attractive settings along water or near mountains in reasonably comfortable climates. Warm beats cold, but temperate can trump all.

■ Barriers to entry. Typically, the same geographic characteristics that make for attractive locations also provide natural barriers to entry that constrain development, husband property values, and encourage better planning through growth management.

■ Brainpower jobs. The combination of 24-hour characteristics and attractive settings lures highly educated people who provide the wellspring for today's growing industries—technology, health care, and financial services. Nearby top universities and research centers supply a steady stream of energized graduates.

Dynamic Affluence. The global gateways are expensive and elitist—people pay a premium to live in them. But ascendant brainpower companies compensate accordingly for worker talent, so their employees can afford these places, generating service businesses and jobs to support all the activity. Affluent populations also underwrite various arts institutions that create more stimulating and interesting intellectual settings and diverse 24-hour environments. All these dynamic interplays attract substantial business and tourist travel to buttress local economies, creating more jobs. These gateways also are natural landing points for immigrants who can provide less expensive labor as well as cultural diversity. As these places become more affluent, mass transit networks will become even more essential to transport lower-wage workers to and from less expensive surrounding neighborhoods and cheaper suburban areas.

The global gateways are mostly built-out, slower-population-growth 24-hour cities along the East and West coasts as well as southern California markets.

■ **New York** dominates world finance and anchors the nation's arts/culture scene; its local ports are the largest along the East Coast; ocean and rivers establish geographic barriers; and three major airports provide entry from six continents, connecting to all significant domestic markets. No American city offers greater 24-hour diversity or more tantalizing urban landscapes. Another ace is the nation's largest and most efficient subway system.

■ **Washington, D.C.** Global politics lies at the heart of the city's core; the federal bureaucracy draws all forms of lobbyists and special interest groups. Defense contractors as well as software and technology firms crowd near the Pentagon and Dulles Airport, and biotech gathers around the National Institutes of Health. D.C. is a magnet for the best and brightest, who eagerly network their way through the halls of power. This singular city with familiar monuments and national symbols lures tourists, business leaders, and potentates. Museums crowd the mall. Attractive neighborhoods now spread beyond the well-heeled northwest quadrant and the subway system ("Metro") moves people in and out of the downtown center from nearby suburbs.

■ **Los Angeles/Orange County/San Diego** is lacking in strong 24-hour urban centers and comprehensive rapid transit systems, to its detriment, but southern California has everything else: near-perfect year-round climate, spectacular mountain and ocean boundaries, gateway harbors, and LAX. The area attracts the country's most regionally diverse corporate base, ranging from entertainment and finance companies to defense contractors and technology firms, and the L.A./Long Beach port is the primary destination for goods shipped from the Pacific Rim.

■ **San Francisco.** The nation's most beautiful city rises on pool-table green hilltops overlooking a protected harbor by the ocean. Pacific trade, technology, and finance intersect there and it's the only city west of Chicago with a full-blown mass transit system including subways, buses, ferries, and, of course, cable cars. Just due south, Silicon Valley beckons as the world cynosure for high tech. Comfortable year-round weather completes this most desirable picture.

Secondary Gateways. Seattle strengthens considerably as a gateway while Boston and Chicago weaken, but stay near the top echelon. Miami grows in prominence as the Latin America gateway even as it struggles with some overbuilding. **Seattle's** harbor is not as magical as San Francisco's, but its nearby mountains are more dramatic. The city gains a 24-hour footing, fueled by local high-tech billionaires from Microsoft and a bevy of other brainpower firms. Pacific Rim trade pours into the port. The region benefits from one of the nation's most educated workforces. **Boston** husbands a treasure chest of leading universities and colleges, foremost Harvard and MIT, which feed local enterprise with top talent. Prominent financial companies, software firms, and biotech businesses are local mainstays. Geographically, Boston is the closest major U.S. city to Europe, but its port and airport are second rate, and the climate doesn't remind anybody of southern California. **Chicago** suffers from frigid winters and the declining fortunes of its surrounding region. But the city captures all the 24-hour elements and benefits from its dramatic overlook

Austin's prospects have **strengthened** *considerably in our survey—landing in*

onto vast Lake Michigan. O'Hare stands out as one of the nation's busiest airports, anchoring transport into the country's midsection from all points. Up-tempo **Miami** strategically stands out as the U.S. business and trade gateway to Latin America. Ocean and Everglades create natural barriers, while near-tropical weather and prime beachfronts attract a constant flow of worldwide visitors. Airport and harbor constitute a substantial trade center, but the area lacks mass transportation.

Climatic Threats. Ironically, much of the nation's most-coveted real estate appears extremely vulnerable to looming natural threats. Global warming fears and recent hurricanes stir concern about prime coastal areas along the East and Gulf coasts, including Miami, New York, and Boston. At the very least, insurance bills become an expensive reality. Hurricanes don't frequent colder Pacific waters, but all the prime West Coast investment citadels lie along earthquake faults that hold devastating promise of a strike by "the Big One." Rising sea levels would produce havoc from San Diego to Seattle too. Unless and until inconvenient truths turn into realities (like Katrina and New Orleans), most people will tempt fate and stay put or keep coming to coveted places, if they can afford to live there. Eighty percent of Floridians live within ten miles (16.1 kilometers) of the coast. "It's ring around the collar." "The beach will always be a magnet."

Resurgent Crime? Over the past 15 years, the nation's premier cities have curbed violent crime to remarkably tolerable levels despite entrenched poverty. Without a relative feeling of safety, New York, Washington, Chicago, and other 24-hour cities would not have marked their resurgence. Police officials and mayors have touted new crime-fighting techniques, but demographics may have played more of a role. And demographics trends are shifting. Young adult males—the primary cohort for committing violent urban crime—declined markedly in the 1990s due to the post–baby boomer baby bust. But now prodigious numbers of echo boomers enter their late teens and early 20s, with more on the way. There is growing concern that urban violent crime may intensify and push police back on their heels. In fact, murder rates have increased in some cities. If residents turn fearful, 24-hour lifestyles will be compromised severely, and the move-back-in could reverse.

Development Havens

Mushrooming Sunbelt development havens consistently fall behind global gateways for investment prospects even as their economies continue to grow. Places like Atlanta, Dallas, Houston, and now Phoenix have lived off hot growth—they are more affordable for service businesses and workers who moved to them in droves, especially in the 1980s and 1990s—but their tendency toward oversupply compromises their standing with investors. Cheap land fuels commodity construction and expanding populations. Still popular and relatively affordable, these metropolitan areas have lost some of their edge in poor planning and resulting congestion. In particular, the absence of strong 24-hour cores and minimal mass transit dog their prospects, while interior locations make them more secondary destinations for international business.

Dallas and Atlanta. These two cities have exceptional international airports at interstate crossroads, and both have seen improvement in investment prospects this year. Neither city has a 24-hour core, although Atlanta's evolving Midtown/Buckhead district projects 24-hour possibilities. Both metropolitan areas sprawl and depend on car transport across serpentine road systems. Atlanta's MARTA subway is a start, but falls short of providing commuting alternatives for most area residents. Dallas's light rail is so far a drop in the bucket. Neither city offers distinctive geographic lures or boundaries—Atlanta settles in gentle, rolling leafy landscape while Dallas sits in a flat, treeless plain. For people who want a reasonable cost of living in suburban subdivision lifestyles and mild winters, these agglomerations still work well. But neither city has the "bright lights/big city" qualities or location advantages to become a major global gateway, and consistently higher energy prices could make them more expensive for car-dependent populations.

Other Sunbelt Leaders. **Austin** has brainpower magnets—a cluster of high-tech companies as well as the estimable University of Texas—and is buttressed by a state government engine. But the city stands to the side of global pathways. **Denver** lies close to spectacular geography and has an international-scale airport, but is surrounded by near-empty agricultural states to the east and other population-poor mountain/desert regions to the north, south, and west. It faces neither Pacific Rim trade destinations nor European financial centers, and stands too far removed from Latin American trade routes. Its budding light-rail system and evolving 24-hour LoDo district will be a boon. **Phoenix** follows the path of

th place for investment prospects and first place for homebuilding prospects.

Atlanta and Dallas—commodity sprawl suburban development without 24-hour elements. It's affordable, warm, and especially wonderful if you crave an unlimited choice of golf courses. Economically, the city evolves into a lower-cost satellite of southern California. **Houston** showcases some of the worst elements of coreless sprawl. But its economy diversifies beyond energy—a vast medical center and NASA attract IQ talent, and its gulf port grows in strategic importance, especially since New Orleans's travail. As with Dallas and Atlanta, investment ratings for all of these cities improved measurably over last year.

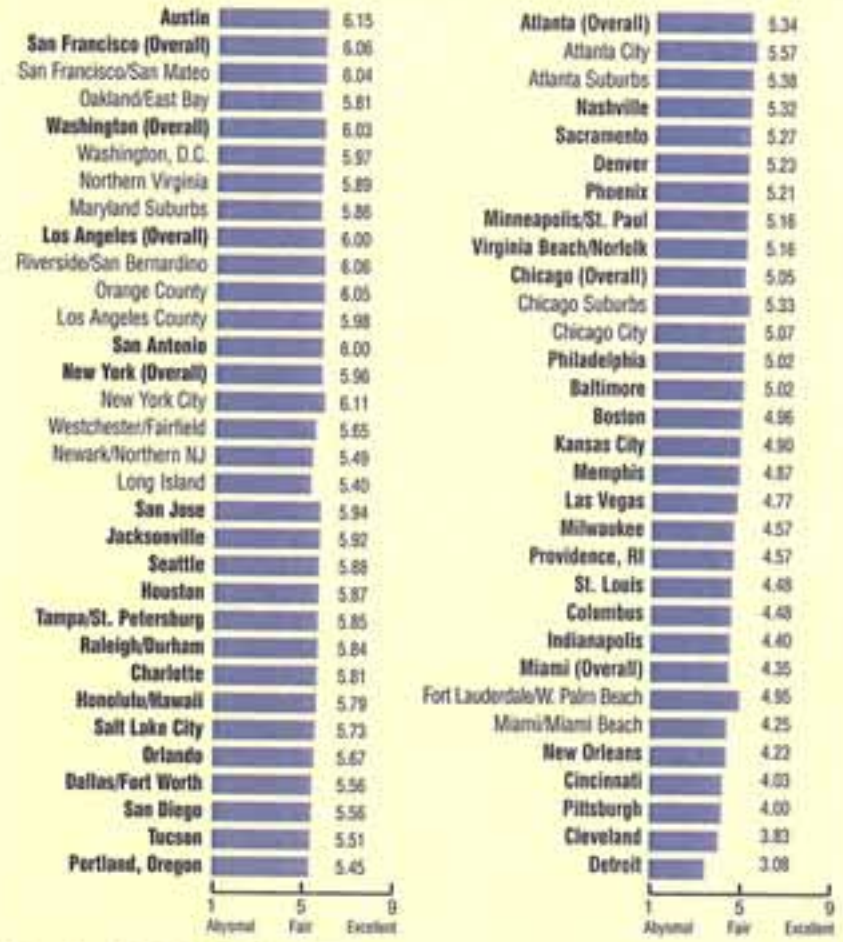
Energy Cost Impacts. Prolonged high energy costs spell trouble for suburban agglomerations—"people will not be driving 100 miles a day to commute." The country has become "too exposed" to high energy costs because of suburban expansion and car dependence. The momentum intensifies behind the move back to infill neighborhoods around commercial centers. "It's not only lifestyle considerations, but also pocketbook." Planners come to accept that "you cannot expand highways enough to handle sprawl." Developers focus on mixed-use projects near mass transit stops along evolving light-rail lines in places like Denver, Houston, and Seattle. Mixed-use development booms around Metro stop locations in the Virginia and Maryland suburbs near Washington, D.C.; ditto along MARTA routes in Atlanta. "For regions to compete, mass transit becomes increasingly important." "Winning markets will have light rail and/or subway."

More Vertical Looks. Infill development turns generations-old suburban areas into more vertical-looking urban centers. Townhouses and apartments replace strip malls and some past-their-prime single-family subdivisions. Multifamily high rises spring up on pads around regional malls. Markets and drugstores mix into residential projects on abandoned industrial sites and town planners make sure to save space for parks. Buckhead in Atlanta, uptown Dallas, the Galleria district in Houston, and South Lake Union in Seattle transform into more vertical communities.

Moving Out. Traffic and congestion issues may have "binary impacts" in some suburban areas. The move back into core neighborhoods will not abate, but some businesses may continue to move farther out along preferred corridors and the edge of the suburban envelope to places where their employees can cluster affordably nearby. Reverse commuting may also offer more palatable options for some workers. Alpharetta prospers north of Atlanta, likewise Frisco

Exhibit 3-2 Markets to Watch

Prospects for For-Sale Homebuilding



Source: Emerging Trends in Real Estate 2007 survey.

northwest of Dallas. But for investors overall, "infill is better than edge."

School Concerns. While increasing numbers of childless adults—younger singles and older empty nesters—roost in more urban 24-places, better public schools keep families rooted in the suburbs. Even considering modest test score improvements, urban school districts uniformly fail miserably in comparison with their suburban counterparts. Parents can afford to take little chance with their children's education and expensive private schools don't pose an option except for a wealthy sliver of households. If they can, moms and dads head to suburban school districts that promise tickets to college and greater opportunity to secure coveted brainpower jobs. Improving urban schools remains an imperative for defeating inner-city poverty, tamping down crime, and improving the quality of local workforces.

Major Market Review

Emerging Trends 2007 rankings of metropolitan area investment and development prospects generally track longer-term outlooks for these markets, and have not materially changed from the last several years. Most notably, interviewees continue to show a clear "bicoastal" preference. "It's a herd mentality." New York, Washington, D.C., and southern California markets cement their top ratings. Seattle vaults into the top four just behind Los Angeles and ahead of San Francisco. Markets with condo problems drop—San Diego gives up its number-one ranking, falling to sixth position among major markets and Miami slides from ninth to 13th. For investors, Sunbelt agglomerations still lag the coastal elites, but show typical survey gains during the mature phase of economic cycles when growth resumes, leasing starts to pick up, rents advance, and development follows. Denver, Atlanta, Houston, and Dallas all improve. In the Midwest, Chicago and Minneapolis/St. Paul attract some investor interest, but their ratings are down from last year. Except for Columbus, Ohio, and Milwaukee, Midwest market ratings unfortunately sag further. Struggling to the side of global pathways and beset by colder climates, these cities strive to attract brainpower jobs in the wake of ongoing manufacturing losses.

Exhibit 3-3 Office Property Buy/Hold/Sell Recommendations by Metro Area

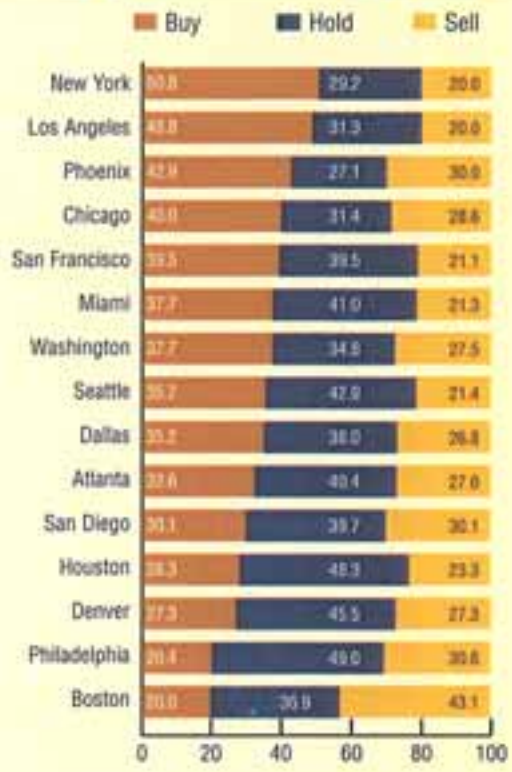
Source: Emerging Trends in Real Estate 2007 survey.

New York City

Back on top, midtown prices and rents soar—"the office market is tight as a drum," some leases exceed $100 per square foot ($1,075 per square meter) in prime buildings. "Rents spike everywhere." Few sites and off-the-charts land prices make development extremely difficult. Office cap rates can compress further there—below 4 percent, record territory. Banks and Wall Street investment houses fuel "phenomenal" demand; law, accounting, communications, and other professional firms expand in their wake. "Downtown is like another city—firms squeezed out of midtown head south for lower rents, 25 percent to 40 percent off. Economizing firms will consider moving back-office operations to Jersey and other cheaper suburban locations. The new Freedom Tower sputters to a ground breaking and additional

during the mature phase of economic cycles when growth resumes.

Exhibit 3-4 Warehouse Property Buy/Hold/Sell Recommendations by Metro Area



Source: Emerging Trends in Real Estate 2007 survey.

office space is planned near Ground Zero. More residential development in keeping with Battery Park City would help improve the area's 24-hour dynamics. Older office buildings around Wall Street convert into condos for investment banker pieds-à-terre at IPO asking prices. Don't confuse this for family-friendly affordable housing. Can all these multimillion-dollar units sell out? Well, maybe in New York. Wealthy foreigners also park money in rooms with a view. Condo conversions shrink hotel stock—lodging occupancies approach bellhop-boggling 85 percent averages and room rates follow up. No surprise retail prospers and northern New Jersey industrial markets sit near the top on most buyers' lists. The market looks too frothy and probably nears a peak, but absent a stock market debacle the Big Apple should hold its own.

Washington, D.C.

The District of Columbia slips a notch. Short-term caution lights flash for local office markets. "Pricing is nuts" and new construction starts up. Rents and demand drivers justify some projects, but expect vacancy rates to move up from extremely healthy high-single digits. Homeland security and defense contractors lap up space in northern Virginia, spawning plenty of cranes. This suburban market historically gets overbuilt. "But it's not out of control like the early 1990s." Bethesda looks strong, though outer Maryland suburbs—such as Gaithersburg and Germantown—"plod." The bloom is off the condo market, with pricing dropping 20 percent or more. Some conversions revert back to apartment rentals—middle price points "are dead," and some buying continues at low and high ends. Signs of overheating aside, interviewees remain "extremely bullish." The Federal government keeps growing and more businesses want to feed from the taxpayer trough, a traditionally potent combination for limiting downside risk when this market hits a cyclical zenith.

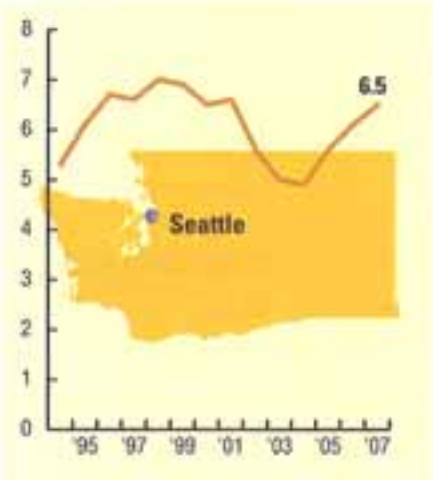
Los Angeles

Record pricing "sets on fire" west L.A., Pasadena, Glendale, and Burbank office markets. Rents take off. Constrained development helps vacancies sink toward 10 percent. This market has rock-solid fundamentals and good job growth. Even "the surprisingly more vibrant" downtown performs "fairly well" and "light years ahead of the recent past." New residential has "changed [ingrained] perceptions" about a moribund nine-to-five core. Existing office tenant growth improves occupancies, although new tenants

remain "difficult to attract" from markets closer to high-end bedroom communities. Some investors bet on a further downtown recovery—relatively "moderate square-foot pricing is very attractive." People cannot afford "over the top" sales tags for single-family homes, so apartments are undersupplied except in areas with condominium stock reverting to rental units. Some businesses grow concerned about attracting and keeping employee talent given nosebleed cost of living unless home costs level off or decline. That seems to be happening after an unsustainable run-up. "White hot" warehouse markets and rents in the L.A./Long Beach port and Inland Empire don't phase tenants—"rents are secondary" to location and functionality. " 'Where do I sign?' takes priority over 'what is the price?' " Buyers at ridiculously low cap rates "can't lose" given the demand. Orange County worries about layoffs at residential mortgage companies with new office construction underway. Hotels surge on increased business and tourist travel. Maybe a touch of smog, but "no clouds appear on the horizon."

Seattle

Sitting squarely on prime global pathways to exploding Pacific Rim economies (the nation's shortest shipping lanes to Asia), Seattle jumps into the top tier, sustained by tech and logistics wellsprings. Its corporate roster diversifies well beyond software and aerospace giants Microsoft and Boeing to other industry leaders like Washington Mutual, Starbucks, and Costco. Bio and life sciences build a niche. Quality of life—dreary winters aside—attracts engineering and computer grads. Scenic mountain ranges and Puget Sound provide barriers to entry that discourage oversupply. A pro-



gressive growth management plan also helps. The downtown steadily adds high-rise residential—this city has a better chance than any other wannabe to become a new 24-hour center. Office vacancy tracks into single digits—rent spikes loom. The top-rated office buy market in the survey, "It's on everybody's shopping lists." Warehouses are largely built out. The few industrial development opportunities concentrate to the south near Tacoma. Retail zooms. The region struggles with traffic congestion and vestigial mass transit. Out of necessity, Bellevue develops quickly into a competing office center on the east side of the bay. Suburban areas will grow more dense and urban as population grows. Greenfield options are limited.

San Francisco

Back from the dead in the 2001 tech wreck, the City by the Bay makes a "tremendous" surge. Interviewees rate strong buy recommendations for apartments and office in a continuing recovery. Office vacancies drop into low teens and "view space spikes." Apartments tighten. Local ports play second fiddle to L.A. and get strong competition from Seattle, but congested Pacific shipping

lanes provide plenty of business for the warehouse market. Hotels show renewed vigor—occupancies skyrocket above 70 percent and room rates advance toward 2001 highs. Silicon Valley simmers again as technology businesses reenergize. Any resurgence in high tech will spill over into the entire metropolitan area.

San Diego

A deflated condo market and "severe" housing price declines sour overall sentiment. The correction may offer a silver lining—enormous housing costs were pushing some businesses and employees

e, jumps into the top tier, sustained by tech and logistics wellsprings.

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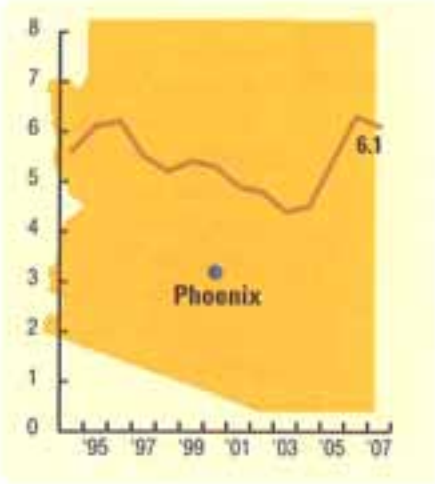
This metropolitan area expands rapidly, impelled by potent job formation (near national highs). Lower cost of living and a favorable tax environment draw people and business from ultra-expensive southern California. The "hot growth" economy gets its biggest boost from residential and commercial construction as well as mortgage banking. It's reminiscent of Atlanta or Dallas circa 1987. The good employment picture favors apartments and retail—both strong performers. The office market lacks tenant depth. The best submarket, Scottsdale, benefits from proximity to prime neighborhoods; downtown still lacks residential underpinnings. Growing pains surface—traffic congestion worsens, "forcing people to consider working closer to home." Locals are particularly sensitive to the water issue: "We have plenty!" Well, at least



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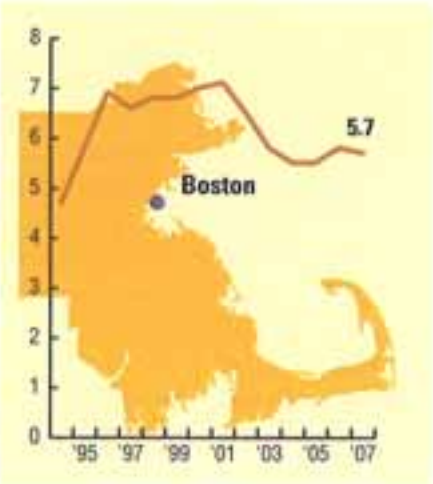

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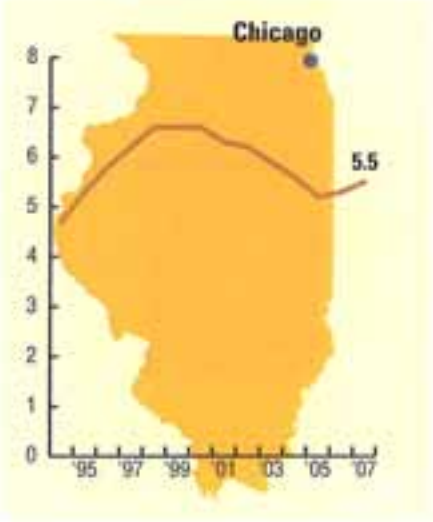

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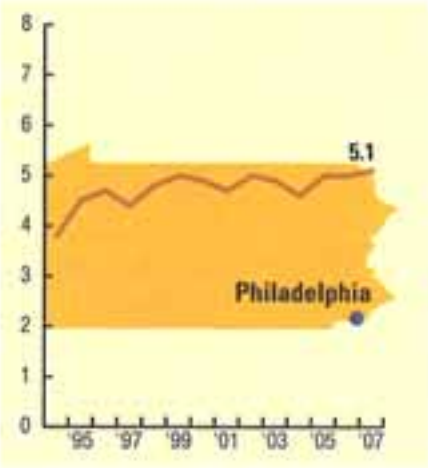

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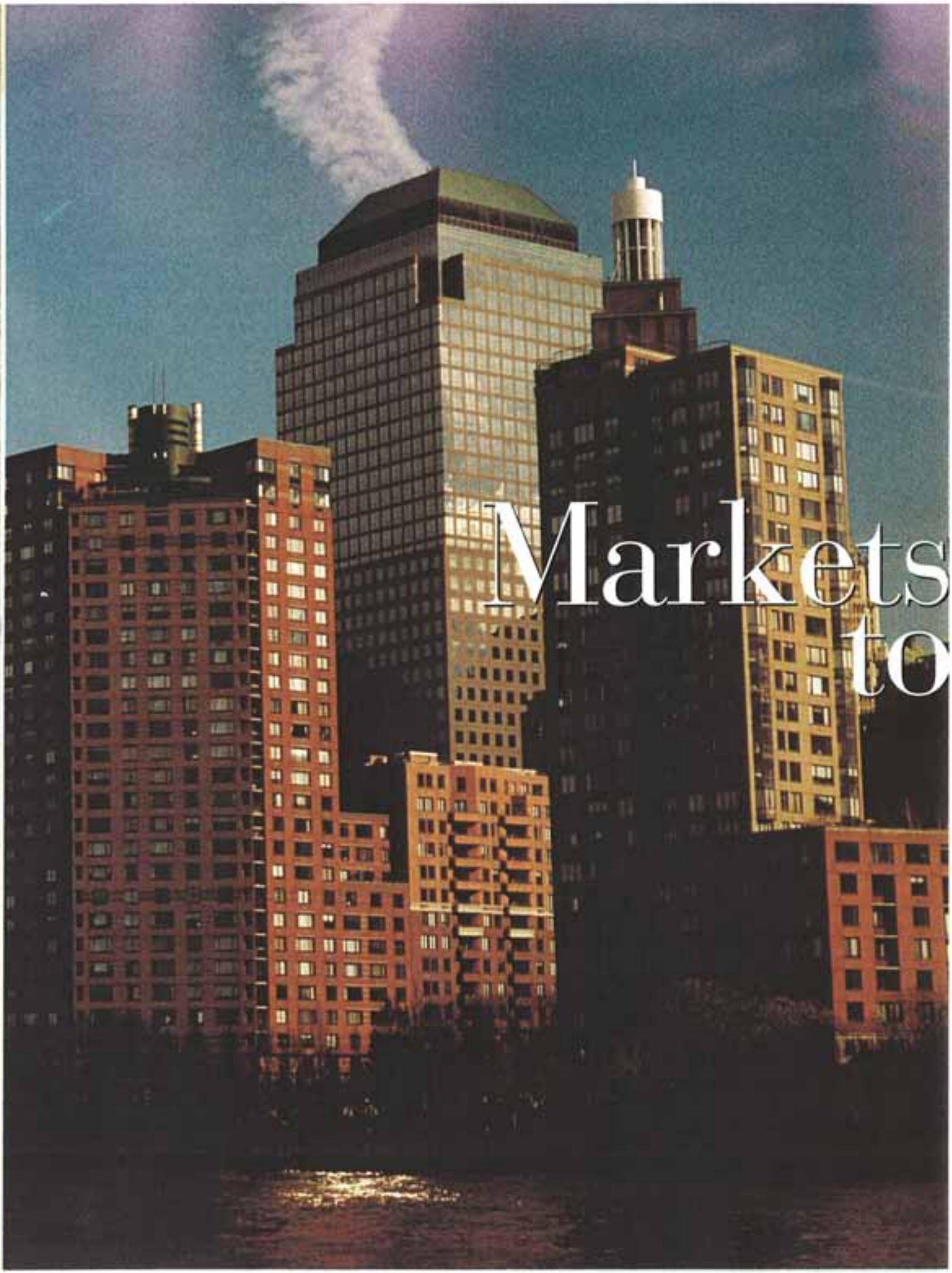
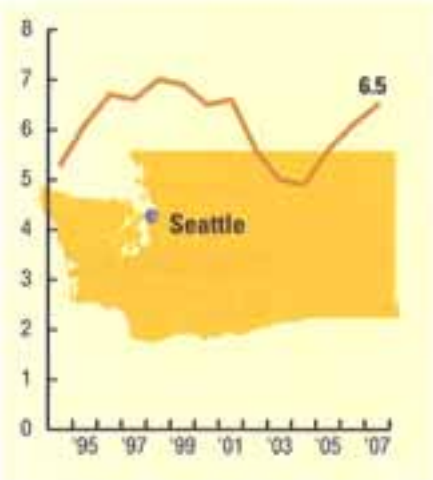


Markets to

remain "difficult to attract" from markets closer to high-end bedroom communities. Some investors bet on a further downtown recovery—relatively "moderate square-foot pricing is very attractive." People cannot afford "over the top" sales tags for single-family homes, so apartments are undersupplied except in areas with condominium stock reverting to rental units. Some businesses grow concerned about attracting and keeping employee talent given nosebleed cost of living unless home costs level off or decline. That seems to be happening after an unsustainable run-up. "White hot" warehouse markets and rents in the L.A./Long Beach port and Inland Empire don't phase tenants—"rents are secondary" to location and functionality. " 'Where do I sign?' takes priority over 'what is the price?' " Buyers at ridiculously low cap rates "can't lose" given the demand. Orange County worries about layoffs at residential mortgage companies with new office construction underway. Hotels surge on increased business and tourist travel. Maybe a touch of smog, but "no clouds appear on the horizon."

Seattle

Sitting squarely on prime global pathways to exploding Pacific Rim economies (the nation's shortest shipping lanes to Asia), Seattle jumps into the top tier, sustained by tech and logistics wellsprings. Its corporate roster diversifies well beyond software and aerospace giants Microsoft and Boeing to other industry leaders like Washington Mutual, Starbucks, and Costco. Bio and life sciences build a niche. Quality of life—dreary winters aside—attracts engineering and computer grads. Scenic mountain ranges and Puget Sound provide barriers to entry that discourage oversupply. A pro-



gressive growth management plan also helps. The downtown steadily adds high-rise residential—this city has a better chance than any other wannabe to become a new 24-hour center. Office vacancy tracks into single digits—rent spikes loom. The top-rated office buy market in the survey, "It's on everybody's shopping lists." Warehouses are largely built out. The few industrial development opportunities concentrate to the south near Tacoma. Retail zooms. The region struggles with traffic congestion and vestigial mass transit. Out of necessity, Bellevue develops quickly into a competing office center on the east side of the bay. Suburban areas will grow more dense and urban as population grows. Greenfield options are limited.

San Francisco

Back from the dead in the 2001 tech wreck, the City by the Bay makes a "tremendous" surge. Interviewees rate strong buy recommendations for apartments and office in a continuing recovery. Office vacancies drop into low teens and "view space spikes." Apartments tighten. Local ports play second fiddle to L.A. and get strong competition from Seattle, but congested Pacific shipping

lanes provide plenty of business for the warehouse market. Hotels show renewed vigor—occupancies skyrocket above 70 percent and room rates advance toward 2001 highs. Silicon Valley simmers again as technology businesses reenergize. Any resurgence in high tech will spill over into the entire metropolitan area.

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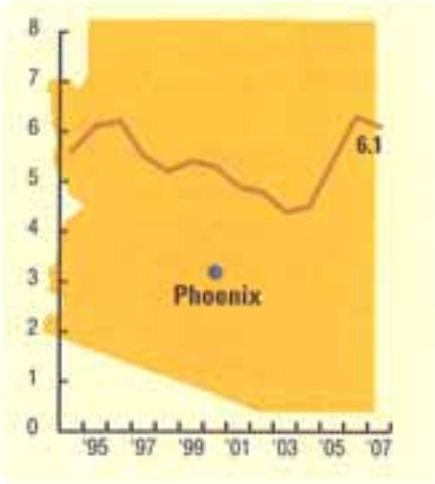

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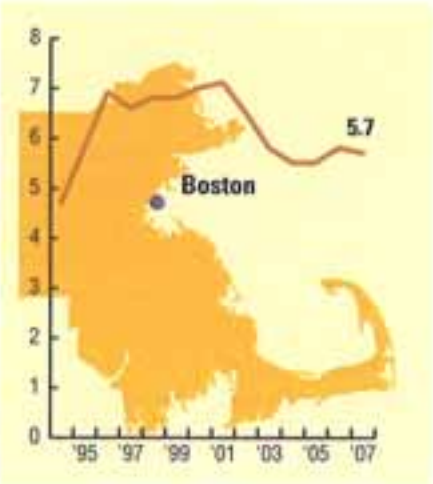

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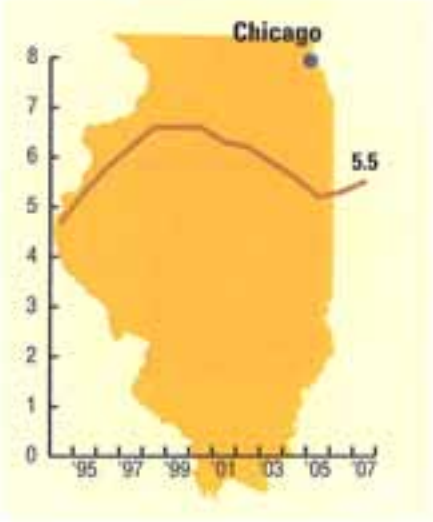

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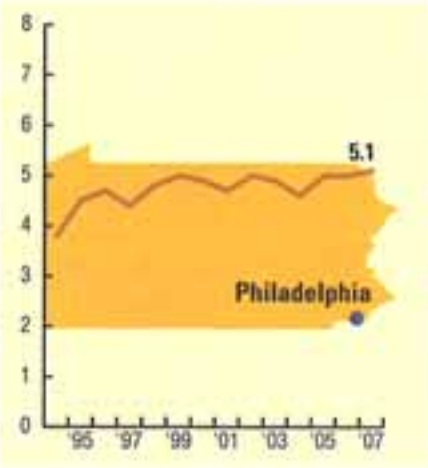

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Watch

Location becomes ever more important in real estate investing as the transforming global economy increasingly determines where companies and people need and want to be. Brainpower eclipses manpower in burgeoning technology, medical/health care, and financial companies, which now constitute America's vanguard industries. Places that can attract these companies and the educated elites they employ have the greatest chance to prosper while regions dependent on waning labor-intensive manufacturing jobs struggle to remain relevant. Healthy 24-hour cities still number only a small handful and Sunbelt suburban agglomerations continue to attract growth. But energy prices and suburban congestion shift lifestyle priorities to embrace greater urban convenience. Better schools keep families in traditional suburbs, while unmarried individuals, young couples, and older adults gravitate increasingly to more pedestrian-friendly 24-hour places where cars are not essential to access shopping, leisure, and work activities. As a result, more suburban places will assume urban characteristics and mass transportation becomes even more critical for regions to manage future growth.

Global Gateways

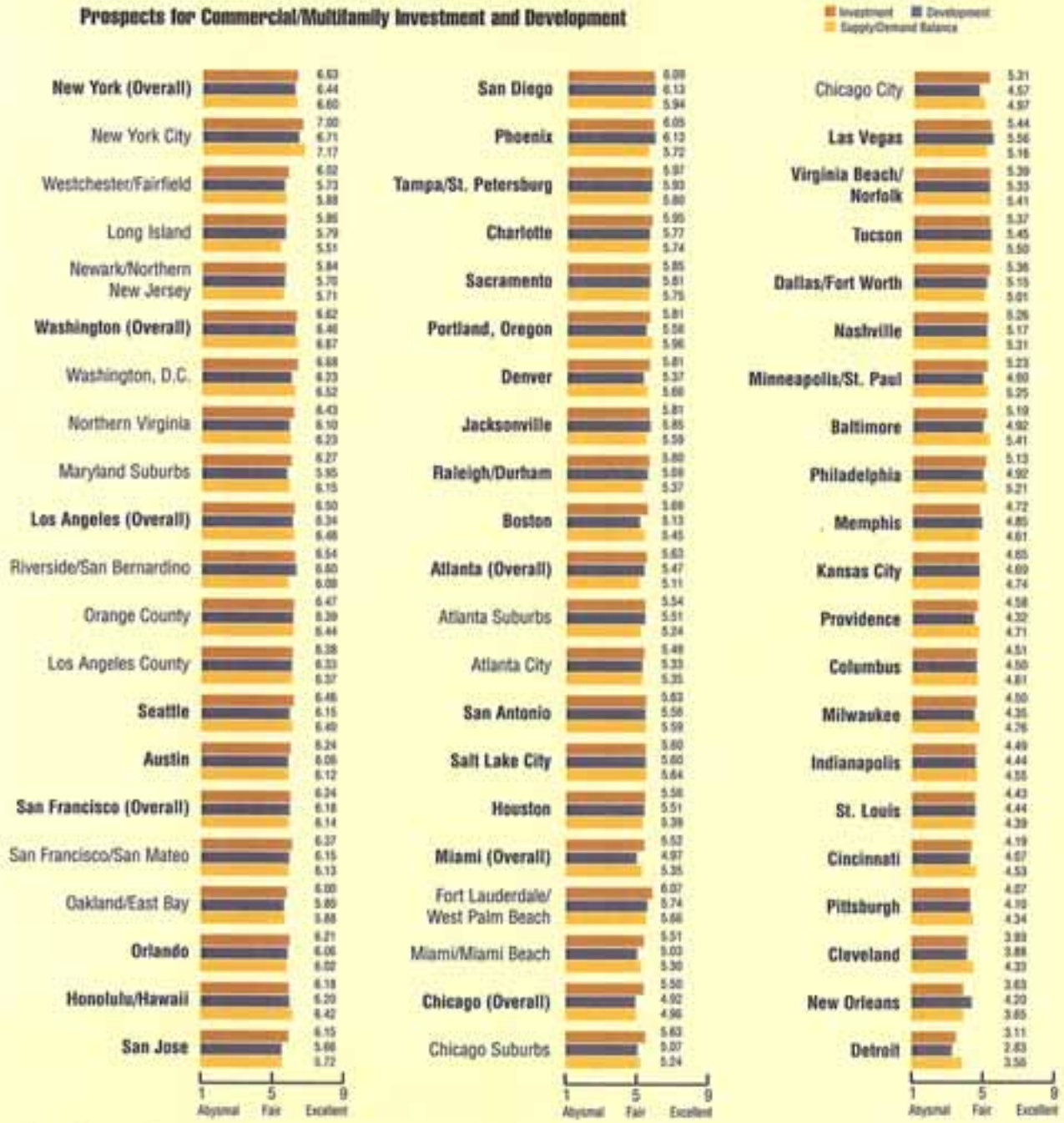
Over the past decade, *Emerging Trends* interviews and surveys solidify views about the leading real estate investment markets and the characteristics that help determine the best long-term prospects. While high-growth suburban agglomerations in the South and Southwest tend to offer better development opportunities and more affordable lifestyles, growth-constrained coastal cities more closely aligned with the advancing global economy have turned into the nation's investment property meccas. These global gateways tend to feature the following attributes that set them apart:

- Locations along global pathways with major international airports and harbor ports, providing easy access for international business and trade.
- 24-hour characteristics. Attractive neighborhoods easily accessible to office cores; pedestrian-friendly neighborhood retail (supermarkets, pharmacies, cleaners, restaurants); multifaceted entertainment/arts/recreation environments (theaters, museums, concert halls, arenas, parks); mass transportation connecting

Seattle *strengthens considerably as a gateway while Boston and Chicago weak*

Exhibit 3-1 **Markets to Watch**

Prospects for Commercial/Multifamily Investment and Development



Source: Emerging Trends in Real Estate 2007 *survey.*

but stay near the top echelon.

neighborhoods to the commercial center and providing access to entertainment venues; and relatively low crime.

■ Attractive settings along water or near mountains in reasonably comfortable climates. Warm beats cold, but temperate can trump all.

■ Barriers to entry. Typically, the same geographic characteristics that make for attractive locations also provide natural barriers to entry that constrain development, husband property values, and encourage better planning through growth management.

■ Brainpower jobs. The combination of 24-hour characteristics and attractive settings lures highly educated people who provide the wellspring for today's growing industries—technology, health care, and financial services. Nearby top universities and research centers supply a steady stream of energized graduates.

Dynamic Affluence. The global gateways are expensive and elitist—people pay a premium to live in them. But ascendant brainpower companies compensate accordingly for worker talent, so their employees can afford these places, generating service businesses and jobs to support all the activity. Affluent populations also underwrite various arts institutions that create more stimulating and interesting intellectual settings and diverse 24-hour environments. All these dynamic interplays attract substantial business and tourist travel to buttress local economies, creating more jobs. These gateways also are natural landing points for immigrants who can provide less expensive labor as well as cultural diversity. As these places become more affluent, mass transit networks will become even more essential to transport lower-wage workers to and from less expensive surrounding neighborhoods and cheaper suburban areas.

The global gateways are mostly built-out, slower-population-growth 24-hour cities along the East and West coasts as well as southern California markets.

■ **New York** dominates world finance and anchors the nation's arts/culture scene; its local ports are the largest along the East Coast; ocean and rivers establish geographic barriers; and three major airports provide entry from six continents, connecting to all significant domestic markets. No American city offers greater 24-hour diversity or more tantalizing urban landscapes. Another ace is the nation's largest and most efficient subway system.

■ **Washington, D.C.** Global politics lies at the heart of the city's core; the federal bureaucracy draws all forms of lobbyists and special interest groups. Defense contractors as well as software and technology firms crowd near the Pentagon and Dulles Airport, and biotech gathers around the National Institutes of Health. D.C. is a magnet for the best and brightest, who eagerly network their way through the halls of power. This singular city with familiar monuments and national symbols lures tourists, business leaders, and potentates. Museums crowd the mall. Attractive neighborhoods now spread beyond the well-heeled northwest quadrant and the subway system ("Metro") moves people in and out of the downtown center from nearby suburbs.

■ **Los Angeles/Orange County/San Diego** is lacking in strong 24-hour urban centers and comprehensive rapid transit systems, to its detriment, but southern California has everything else: near-perfect year-round climate, spectacular mountain and ocean boundaries, gateway harbors, and LAX. The area attracts the country's most regionally diverse corporate base, ranging from entertainment and finance companies to defense contractors and technology firms, and the L.A./Long Beach port is the primary destination for goods shipped from the Pacific Rim.

■ **San Francisco.** The nation's most beautiful city rises on pool-table green hilltops overlooking a protected harbor by the ocean. Pacific trade, technology, and finance intersect there and it's the only city west of Chicago with a full-blown mass transit system including subways, buses, ferries, and, of course, cable cars. Just due south, Silicon Valley beckons as the world cynosure for high tech. Comfortable year-round weather completes this most desirable picture.

Secondary Gateways. Seattle strengthens considerably as a gateway while Boston and Chicago weaken, but stay near the top echelon. Miami grows in prominence as the Latin America gateway even as it struggles with some overbuilding. **Seattle's** harbor is not as magical as San Francisco's, but its nearby mountains are more dramatic. The city gains a 24-hour footing, fueled by local high-tech billionaires from Microsoft and a bevy of other brainpower firms. Pacific Rim trade pours into the port. The region benefits from one of the nation's most educated workforces. **Boston** husbands a treasure chest of leading universities and colleges, foremost Harvard and MIT, which feed local enterprise with top talent. Prominent financial companies, software firms, and biotech businesses are local mainstays. Geographically, Boston is the closest major U.S. city to Europe, but its port and airport are second rate, and the climate doesn't remind anybody of southern California. **Chicago** suffers from frigid winters and the declining fortunes of its surrounding region. But the city captures all the 24-hour elements and benefits from its dramatic overlook

but stay near the top echelon.

neighborhoods to the commercial center and providing access to entertainment venues; and relatively low crime.

■ Attractive settings along water or near mountains in reasonably comfortable climates. Warm beats cold, but temperate can trump all.

■ Barriers to entry. Typically, the same geographic characteristics that make for attractive locations also provide natural barriers to entry that constrain development, husband property values, and encourage better planning through growth management.

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Austin's prospects have **strengthened** *considerably in our survey—landing in*

onto vast Lake Michigan. O'Hare stands out as one of the nation's busiest airports, anchoring transport into the country's midsection from all points. Up-tempo **Miami** strategically stands out as the U.S. business and trade gateway to Latin America. Ocean and Everglades create natural barriers, while near-tropical weather and prime beachfronts attract a constant flow of worldwide visitors. Airport and harbor constitute a substantial trade center, but the area lacks mass transportation.

Climatic Threats. Ironically, much of the nation's most-coveted real estate appears extremely vulnerable to looming natural threats. Global warming fears and recent hurricanes stir concern about prime coastal areas along the East and Gulf coasts, including Miami, New York, and Boston. At the very least, insurance bills become an expensive reality. Hurricanes don't frequent colder Pacific waters, but all the prime West Coast investment citadels lie along earthquake faults that hold devastating promise of a strike by "the Big One." Rising sea levels would produce havoc from San Diego to Seattle too. Unless and until inconvenient truths turn into realities (like Katrina and New Orleans), most people will tempt fate and stay put or keep coming to coveted places, if they can afford to live there. Eighty percent of Floridians live within ten miles (16.1 kilometers) of the coast. "It's ring around the collar." "The beach will always be a magnet."

Resurgent Crime? Over the past 15 years, the nation's premier cities have curbed violent crime to remarkably tolerable levels despite entrenched poverty. Without a relative feeling of safety, New York, Washington, Chicago, and other 24-hour cities would not have marked their resurgence. Police officials and mayors have touted new crime-fighting techniques, but demographics may have played more of a role. And demographics trends are shifting. Young adult males—the primary cohort for committing violent urban crime—declined markedly in the 1990s due to the post–baby boomer baby bust. But now prodigious numbers of echo boomers enter their late teens and early 20s, with more on the way. There is growing concern that urban violent crime may intensify and push police back on their heels. In fact, murder rates have increased in some cities. If residents turn fearful, 24-hour lifestyles will be compromised severely, and the move-back-in could reverse.

Development Havens

Mushrooming Sunbelt development havens consistently fall behind global gateways for investment prospects even as their economies continue to grow. Places like Atlanta, Dallas, Houston, and now Phoenix have lived off hot growth—they are more affordable for service businesses and workers who moved to them in droves, especially in the 1980s and 1990s—but their tendency toward oversupply compromises their standing with investors. Cheap land fuels commodity construction and expanding populations. Still popular and relatively affordable, these metropolitan areas have lost some of their edge in poor planning and resulting congestion. In particular, the absence of strong 24-hour cores and minimal mass transit dog their prospects, while interior locations make them more secondary destinations for international business.

Dallas and Atlanta. These two cities have exceptional international airports at interstate crossroads, and both have seen improvement in investment prospects this year. Neither city has a 24-hour core, although Atlanta's evolving Midtown/Buckhead district projects 24-hour possibilities. Both metropolitan areas sprawl and depend on car transport across serpentine road systems. Atlanta's MARTA subway is a start, but falls short of providing commuting alternatives for most area residents. Dallas's light rail is so far a drop in the bucket. Neither city offers distinctive geographic lures or boundaries—Atlanta settles in gentle, rolling leafy landscape while Dallas sits in a flat, treeless plain. For people who want a reasonable cost of living in suburban subdivision lifestyles and mild winters, these agglomerations still work well. But neither city has the "bright lights/big city" qualities or location advantages to become a major global gateway, and consistently higher energy prices could make them more expensive for car-dependent populations.

Other Sunbelt Leaders. **Austin** has brainpower magnets—a cluster of high-tech companies as well as the estimable University of Texas—and is buttressed by a state government engine. But the city stands to the side of global pathways. **Denver** lies close to spectacular geography and has an international-scale airport, but is surrounded by near-empty agricultural states to the east and other population-poor mountain/desert regions to the north, south, and west. It faces neither Pacific Rim trade destinations nor European financial centers, and stands too far removed from Latin American trade routes. Its budding light-rail system and evolving 24-hour LoDo district will be a boon. **Phoenix** follows the path of

th place for investment prospects and first place for homebuilding prospects.

Atlanta and Dallas—commodity sprawl suburban development without 24-hour elements. It's affordable, warm, and especially wonderful if you crave an unlimited choice of golf courses. Economically, the city evolves into a lower-cost satellite of southern California. **Houston** showcases some of the worst elements of coreless sprawl. But its economy diversifies beyond energy—a vast medical center and NASA attract IQ talent, and its gulf port grows in strategic importance, especially since New Orleans's travail. As with Dallas and Atlanta, investment ratings for all of these cities improved measurably over last year.

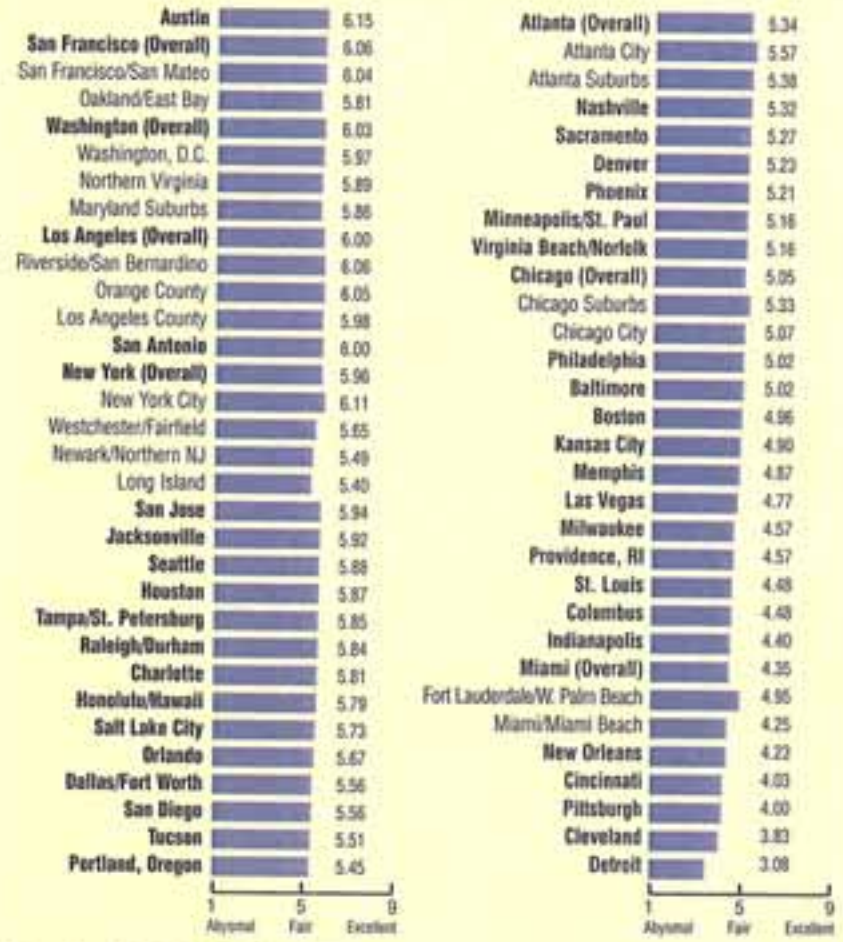
Energy Cost Impacts. Prolonged high energy costs spell trouble for suburban agglomerations—"people will not be driving 100 miles a day to commute." The country has become "too exposed" to high energy costs because of suburban expansion and car dependence. The momentum intensifies behind the move back to infill neighborhoods around commercial centers. "It's not only lifestyle considerations, but also pocketbook." Planners come to accept that "you cannot expand highways enough to handle sprawl." Developers focus on mixed-use projects near mass transit stops along evolving light-rail lines in places like Denver, Houston, and Seattle. Mixed-use development booms around Metro stop locations in the Virginia and Maryland suburbs near Washington, D.C.; ditto along MARTA routes in Atlanta. "For regions to compete, mass transit becomes increasingly important." "Winning markets will have light rail and/or subway."

More Vertical Looks. Infill development turns generations-old suburban areas into more vertical-looking urban centers. Townhouses and apartments replace strip malls and some past-their-prime single-family subdivisions. Multifamily high rises spring up on pads around regional malls. Markets and drugstores mix into residential projects on abandoned industrial sites and town planners make sure to save space for parks. Buckhead in Atlanta, uptown Dallas, the Galleria district in Houston, and South Lake Union in Seattle transform into more vertical communities.

Moving Out. Traffic and congestion issues may have "binary impacts" in some suburban areas. The move back into core neighborhoods will not abate, but some businesses may continue to move farther out along preferred corridors and the edge of the suburban envelope to places where their employees can cluster affordably nearby. Reverse commuting may also offer more palatable options for some workers. Alpharetta prospers north of Atlanta, likewise Frisco

Exhibit 3-2 Markets to Watch

Prospects for For-Sale Homebuilding



Source: Emerging Trends in Real Estate 2007 survey.

northwest of Dallas. But for investors overall, "infill is better than edge."

School Concerns. While increasing numbers of childless adults—younger singles and older empty nesters—roost in more urban 24-places, better public schools keep families rooted in the suburbs. Even considering modest test score improvements, urban school districts uniformly fail miserably in comparison with their suburban counterparts. Parents can afford to take little chance with their children's education and expensive private schools don't pose an option except for a wealthy sliver of households. If they can, moms and dads head to suburban school districts that promise tickets to college and greater opportunity to secure coveted brainpower jobs. Improving urban schools remains an imperative for defeating inner-city poverty, tamping down crime, and improving the quality of local workforces.

Major Market Review

Emerging Trends 2007 rankings of metropolitan area investment and development prospects generally track longer-term outlooks for these markets, and have not materially changed from the last several years. Most notably, interviewees continue to show a clear "bicoastal" preference. "It's a herd mentality." New York, Washington, D.C., and southern California markets cement their top ratings. Seattle vaults into the top four just behind Los Angeles and ahead of San Francisco. Markets with condo problems drop—San Diego gives up its number-one ranking, falling to sixth position among major markets and Miami slides from ninth to 13th. For investors, Sunbelt agglomerations still lag the coastal elites, but show typical survey gains during the mature phase of economic cycles when growth resumes, leasing starts to pick up, rents advance, and development follows. Denver, Atlanta, Houston, and Dallas all improve. In the Midwest, Chicago and Minneapolis/St. Paul attract some investor interest, but their ratings are down from last year. Except for Columbus, Ohio, and Milwaukee, Midwest market ratings unfortunately sag further. Struggling to the side of global pathways and beset by colder climates, these cities strive to attract brainpower jobs in the wake of ongoing manufacturing losses.

Exhibit 3-3 Office Property Buy/Hold/Sell Recommendations by Metro Area

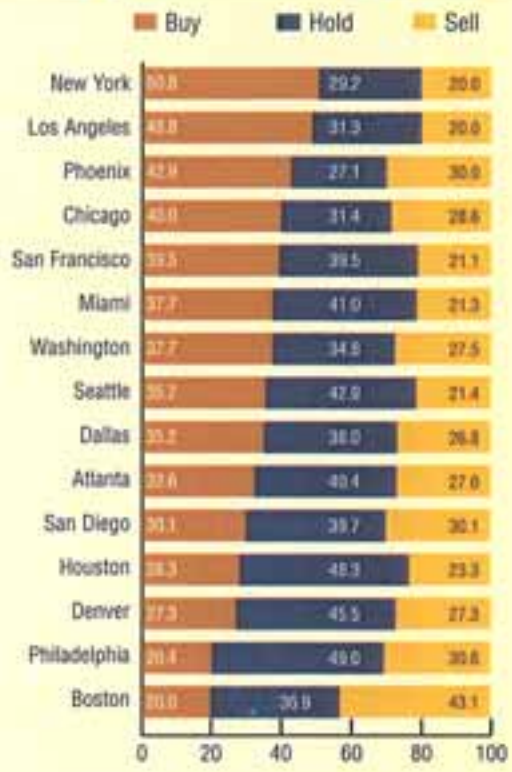
Source: Emerging Trends in Real Estate 2007 survey.

New York City

Back on top, midtown prices and rents soar—"the office market is tight as a drum," some leases exceed $100 per square foot ($1,075 per square meter) in prime buildings. "Rents spike everywhere." Few sites and off-the-charts land prices make development extremely difficult. Office cap rates can compress further there—below 4 percent, record territory. Banks and Wall Street investment houses fuel "phenomenal" demand; law, accounting, communications, and other professional firms expand in their wake. "Downtown is like another city—firms squeezed out of midtown head south for lower rents, 25 percent to 40 percent off. Economizing firms will consider moving back-office operations to Jersey and other cheaper suburban locations. The new Freedom Tower sputters to a ground breaking and additional

during the mature phase of economic cycles when growth resumes.

Exhibit 3-4 Warehouse Property Buy/Hold/Sell Recommendations by Metro Area



Source: Emerging Trends in Real Estate 2007 survey.

office space is planned near Ground Zero. More residential development in keeping with Battery Park City would help improve the area's 24-hour dynamics. Older office buildings around Wall Street convert into condos for investment banker pieds-à-terre at IPO asking prices. Don't confuse this for family-friendly affordable housing. Can all these multimillion-dollar units sell out? Well, maybe in New York. Wealthy foreigners also park money in rooms with a view. Condo conversions shrink hotel stock—lodging occupancies approach bellhop-boggling 85 percent averages and room rates follow up. No surprise retail prospers and northern New Jersey industrial markets sit near the top on most buyers' lists. The market looks too frothy and probably nears a peak, but absent a stock market debacle the Big Apple should hold its own.

Washington, D.C.

The District of Columbia slips a notch. Short-term caution lights flash for local office markets. "Pricing is nuts" and new construction starts up. Rents and demand drivers justify some projects, but expect vacancy rates to move up from extremely healthy high-single digits. Homeland security and defense contractors lap up space in northern Virginia, spawning plenty of cranes. This suburban market historically gets overbuilt. "But it's not out of control like the early 1990s." Bethesda looks strong, though outer Maryland suburbs—such as Gaithersburg and Germantown—"plod." The bloom is off the condo market, with pricing dropping 20 percent or more. Some conversions revert back to apartment rentals—middle price points "are dead," and some buying continues at low and high ends. Signs of overheating aside, interviewees remain "extremely bullish." The Federal government keeps growing and more businesses want to feed from the taxpayer trough, a traditionally potent combination for limiting downside risk when this market hits a cyclical zenith.

Los Angeles

Record pricing "sets on fire" west L.A., Pasadena, Glendale, and Burbank office markets. Rents take off. Constrained development helps vacancies sink toward 10 percent. This market has rock-solid fundamentals and good job growth. Even "the surprisingly more vibrant" downtown performs "fairly well" and "light years ahead of the recent past." New residential has "changed [ingrained] perceptions" about a moribund nine-to-five core. Existing office tenant growth improves occupancies, although new tenants

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The Economist

PUGET SOUND ECONOMIC OUTLOOK

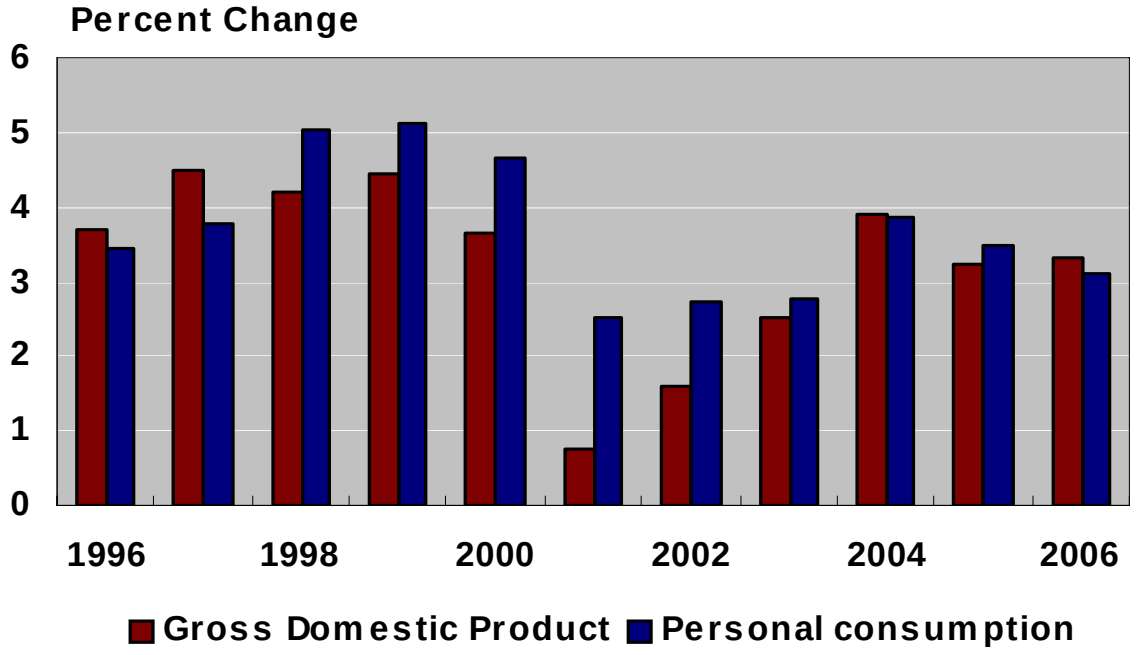
Dick Conway

The Puget Sound Economic Forecaster

Conway Pedersen Economics, Inc.

www.economicforecaster.com

U.S. Real Gross Domestic Product and Personal Consumption



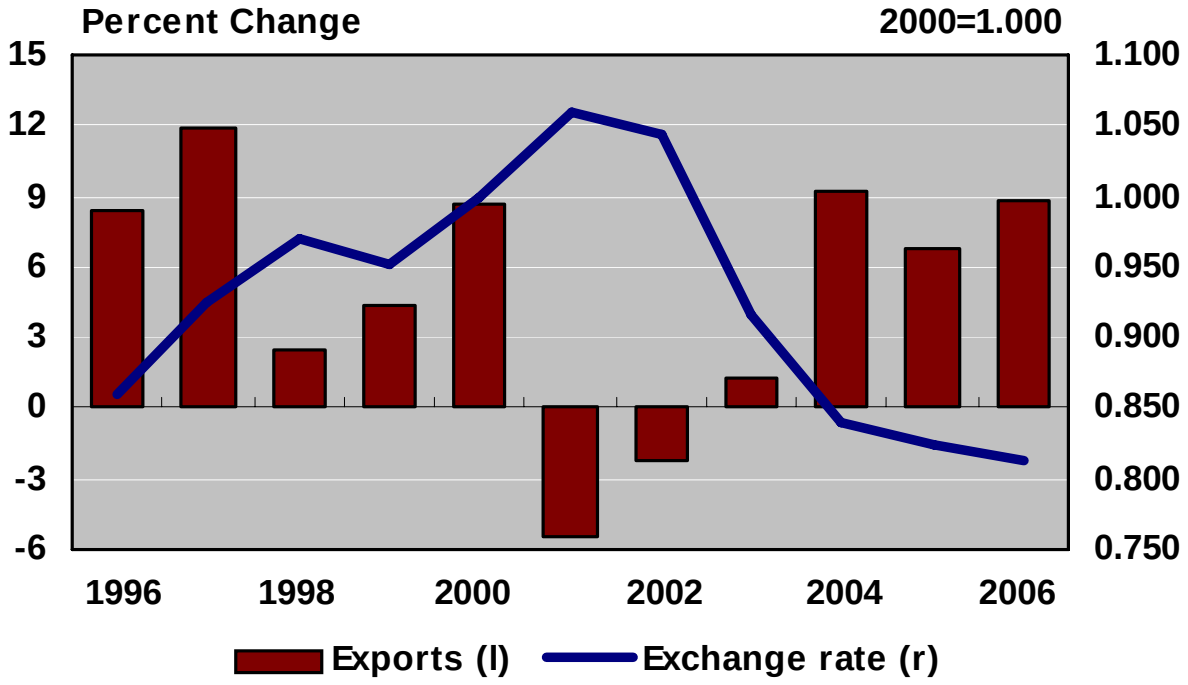
Seven Good Reasons

- National outlook
- World economy
- Boeing
- Microsoft
- In-migration
- Housing demand
- Retail sales

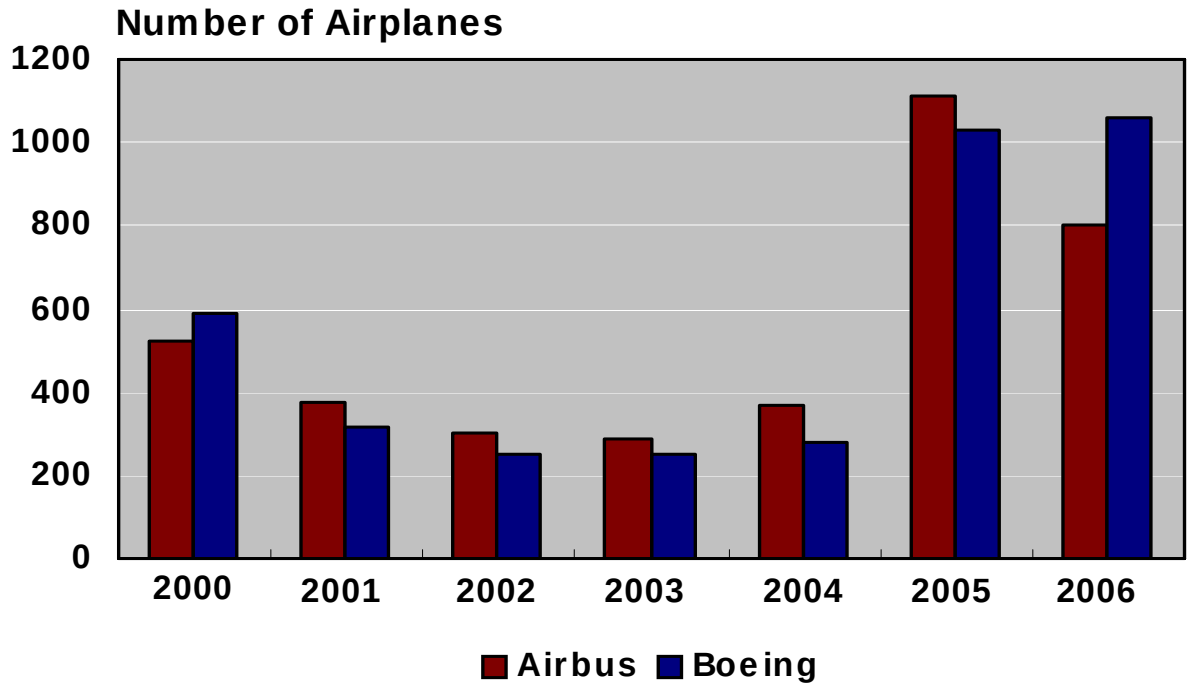
Blue Chip Forecast
Real Gross Domestic Product
Percent Change

	2007	2008
High	3.0	3.6
Top Ten	2.7	3.3
Consensus	2.4	3.0
Bottom Ten	2.1	2.5
Low	1.7	1.5

U.S. Real Exports and Exchange Rate



Airbus and Boeing Airplane Orders

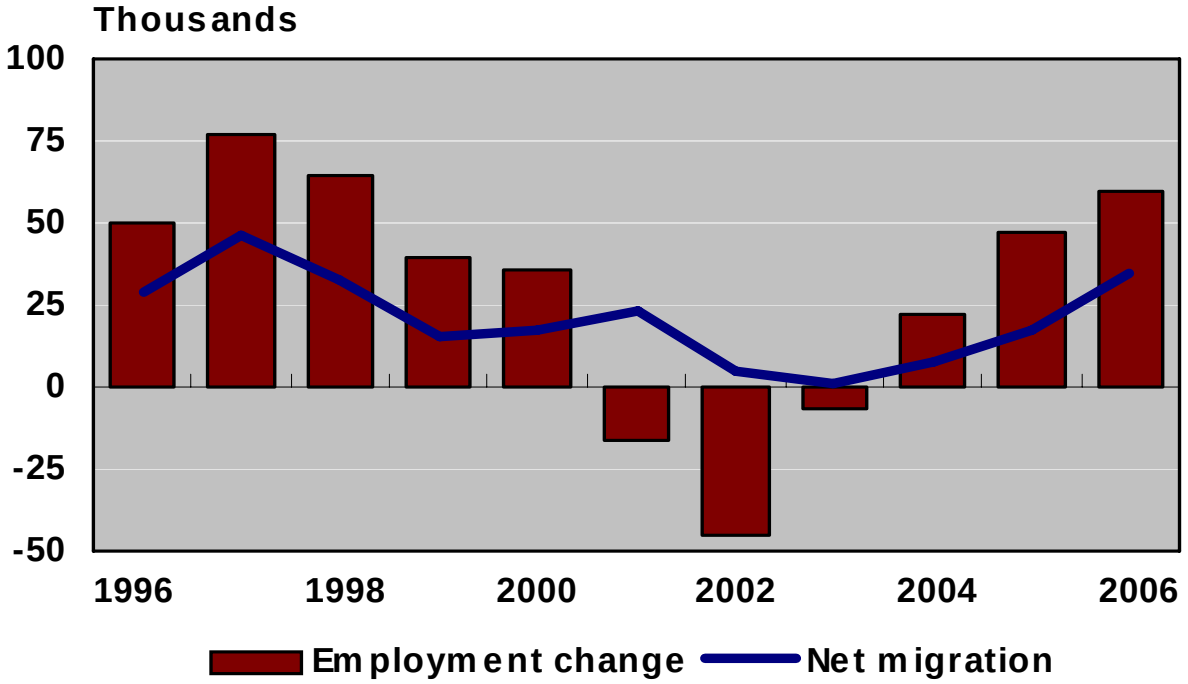


Microsoft Economic Impact on Washington State, 2004

	Impact	Percent of State
Direct Impact		
Employment	28,240	0.8
Labor earnings (bils. $)	4.1	2.5
Total Impact		
Gross State Product (bils. $)	21.7	8.6
Employment	119,030	4.0
Personal income (bils. $)	11.2	5.2

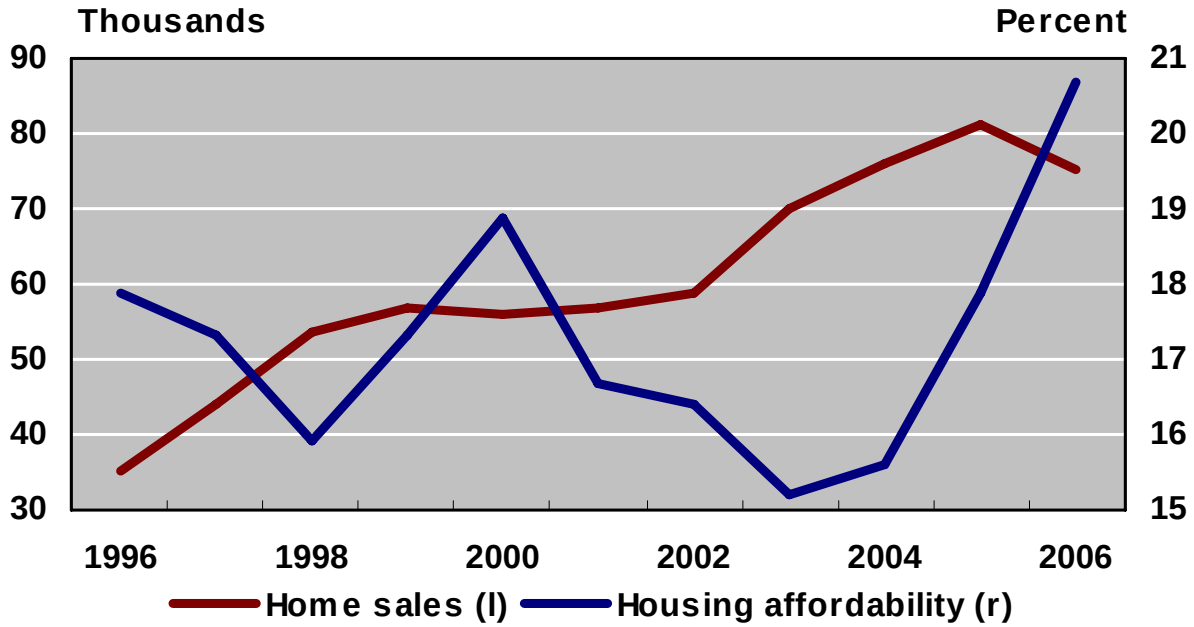
THE PUGET SOUND
ECONOMIC FORECASTER

Puget Sound Employment Change and Net Migration



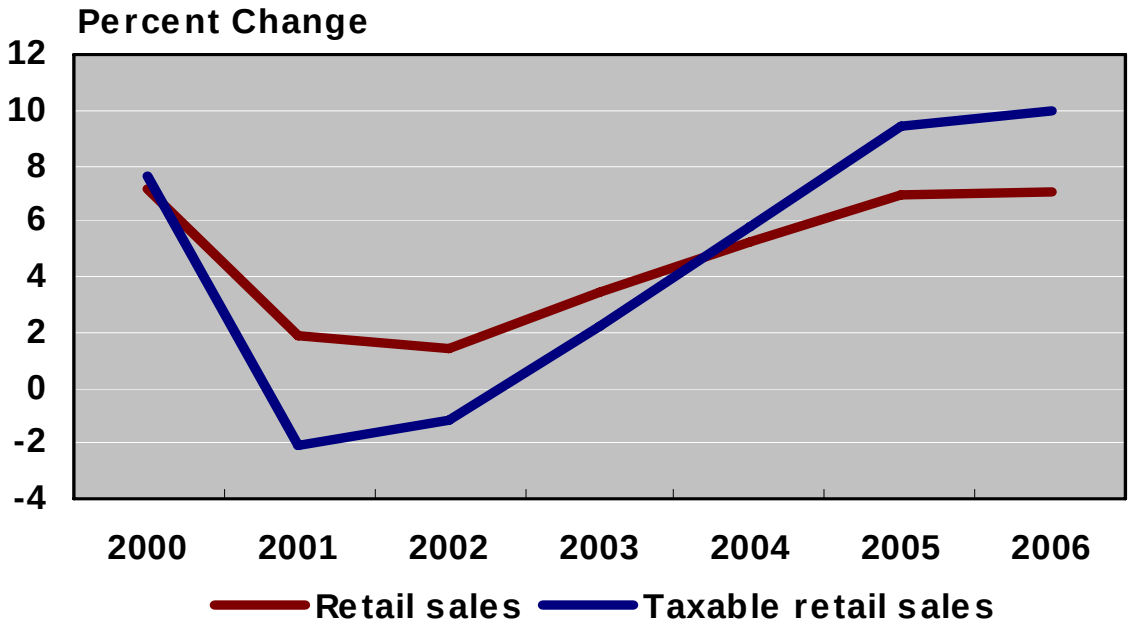
THE PUGET SOUND
ECONOMIC FORECASTER

Puget Sound Home Sales and Housing Affordability*



*Mortgage payment as percent of household income.

Puget Sound Retail Sales and Taxable Retail Sales



THE PUGET SOUND
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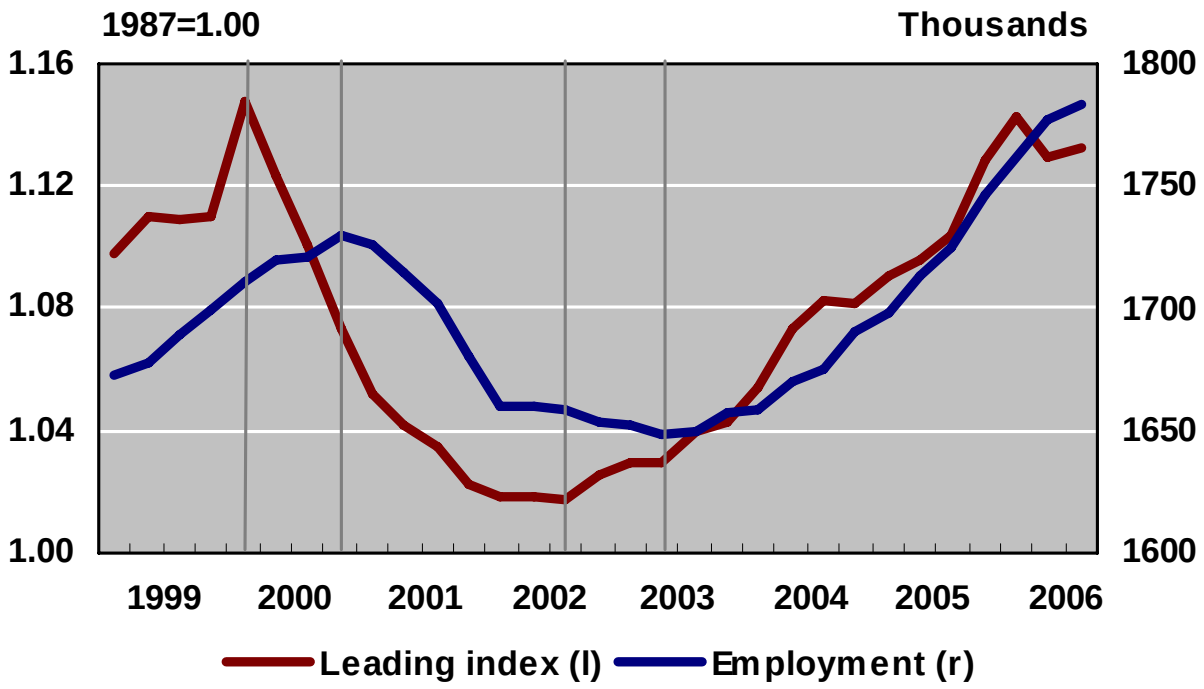
Puget Sound Forecast

Percent Change

	2005	2006	2007	2008
Employment	2.8	3.5	2.9	2.7
Personal income	1.4	9.1	8.1	6.9
Retail sales	7.0	7.1	6.5	6.1
Consumer price index	2.8	3.9	3.0	2.6
Housing permits	9.9	2.5	0.5	2.7
Population	1.0	1.5	1.8	1.7

Puget Sound Leading Index and Employment



THE PUGET SOUND
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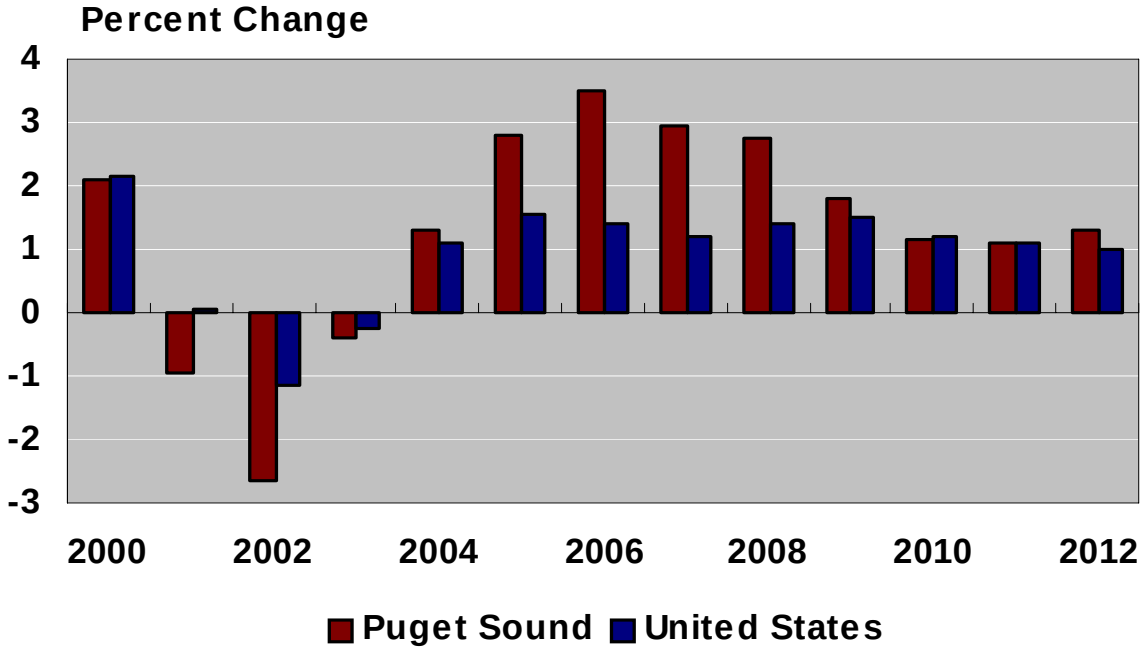
Puget Sound and U.S. Employment



THE PUGET SOUND
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MARKETING

Tri-Cities Business Growth Plans

Community-wide Rollout: March 23, 2006

AngelouEconomics
technology-based economic development

Angelos G. Angelou, CEO

Introduction

This is a **celebration of ideas and collaboration.**

1 year of research, planning, and input.

850 surveys.

300+ focus group and interview participants.

Introduction

The Plans

AngelouEconomics first hired by City of Kennewick to conduct a Economic Development Strategic Plan.

AngelouEconomics hired to update TRIDEC's marketing plan.

AngelouEconomics hired by Port of Benton to conduct Research District Plan with a SBA grant requested from Rep. Doc Hastings.

Introduction

Our Process

Each plan followed a similar process:

Local Assessment → **Selection of Target Businesses** → **Strategies for Improvements & Marketing**

Themes of Our Work

1. The Tri-Cities is in the middle of a massive <u>economic transition</u>.

Why? ***…Hanford***

30,000+ direct and indirect jobs in the Tri-Cities depend on Hanford.

Nearly 1/3 of the economy will disappear as Hanford jobs are lost over the next 20-30 years.

Something <u>must</u> fill its place.

All cities will be impacted by job losses at Hanford.

Themes of Our Work

2. The retention of companies and people in the Tri-Cities has been a long-term problem.

Why?

Your remote location has not been a strength for much beyond Hanford and agriculture.

Quality of life is now a top requirement for companies and their workers.

You have made good strides forward, but more can be done.

Themes of Our Work

3. <u>Entrepreneurship and small business growth</u> will drive economic growth in the future.

Why?

70% of new jobs in the U.S. will come from entrepreneurs and small businesses.

The recruitment of companies to a region is no longer a sufficient economic development strategy.

Themes of Our Work

4. <u>Economic and political policies are fractured</u> by the number of government jurisdictions in your small region.

Regionalism is a growing trend across the country.

Why?

Being "small" doesn't get anyone's attention.

Weak governments can't invest in their future.

Duplication of effort means low ROI on tax dollars.

Introduction

Let's review the plans.

Local Strengths & Challenges

Strengths

- ✓ Low cost of doing business
- ✓ Technical workforce
- ✓ Strong research capabilities
- ✓ Quality of Life
- ✓ New 4-year WSU-Tri-Cities

Challenges

- ✓ Remote location
- ✓ Lack of available buildings
- ✓ Few public incentives
- ✓ Low brand awareness

Tri-Cities Target Businesses

Target 1: Warehousing & Distribution

- Mftrd parts / materials distribution
- Food/ agriculture

Target 2: Research & Development

- Scientific research
- Software
- Data security
- Computation
- Energy
- Environmental
- Biotechnology

Target 3: Technology Manufacturing

Niche Targets

- Defense mftg
- Sensor mftg
- Medical devices

Target 4: Food / Agriculture

- Wine
- Food processing
- Agricultural products

Target 5: Back Office

- Call centers
- Administrative processing
- Data processing

TRIDEC Marketing Plan

TRIDEC
TRI-CITY INDUSTRIAL DEVELOPMENT COUNCIL

1. Target Business Verification
2. Marketing Strategies
3. New Brand and Logo

AngelouEconomics
technology-based economic development

TRIDEC Marketing Plan

Top Recommendations

- ✓ **Focus on fewer target industries**
- ✓ **Promote a regional brand for the Tri-Cities**
- ✓ **Increase TRIDEC's marketing budget**
- ✓ **Advocate for local business climate improvements**
- ✓ **Enhance external public relations for target industries**
  - > ***National awareness campaign***
  - > ***More face-to-face selling***
  - > ***Website changes***

TRIDEC Logo

Conceptual logo mock-up:

- **Emphasize "Tri-Cities"**
- **Use Sun/ River images**
- **New organization name is below**
- **Allow a mix of cities at bottom**

Regional Brand

Consider the possible variations:

RICHLAND WASHINGTON
A TRI-CITIES MEMBER COMMUNITY

City name is large, with Tri-Cities below

TRI CITIES WASHINGTON
TRI-CITIES RESEARCH PARK

Any organization can be listed below

Like a "Better Business Bureau", these regional logos are <u>in addition</u>

Recent Example

The new Tri-City Chamber logo:

TRI CITY
REGIONAL CHAMBER OF COMMERCE
W · A · S · H · I · N · G · T · O · N

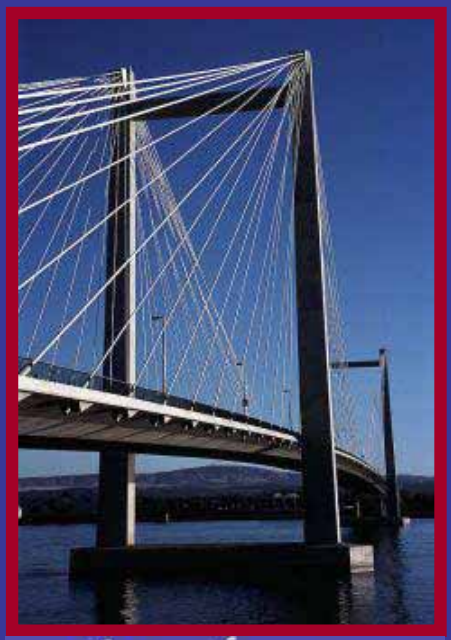
Location on top

River, sun images

Organization is listed below

"Washington" included

Kennewick Strategic Plan



City of Kennewick

1. Community Assessment
2. Target Business Selection
3. Strategic Plan

AngelouEconomics
technology-based economic development

Kennewick Strategic Plan

Top Recommendations

City of Kennewick

- ✓ Promote a Young Professionals Agenda
- ✓ Additional focus on Retail and Tourism
- ✓ River and downtown quality of life developments
- ✓ New efforts in support of entrepreneurship
- ✓ Support regional efforts of branding and Research District

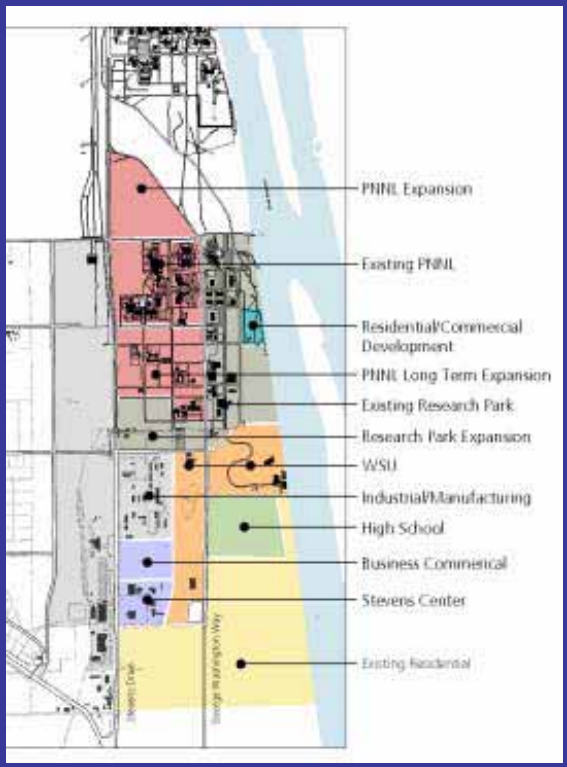
AngelouEconomics
technology-based economic development

Research District

All reports are posted on the website:

www.ResearchDistrictFuture.com

- Assessment
- Case Studies
- Target Sectors
- Recommendations on:
  - Land use, marketing, financing, and organization



AngelouEconomics
technology-based economic development

Research District
Target Sectors

Research District Targets

Target 1:
Clean Energy

- Biomass
- Energy distribution efficiency
- Nuclear security
- Fuel cells
- Wind power
- Solar energy

Target 2:
Biosciences

- AgBioProducts
- BioProcessing
- Biosensors
- Medical Isotopes
- Toxicology

Target 3:
Environmental Technologies

- Testing
- Carbon sequestration
- Management
- Spectroscopy

Target 4:
Software & Computation

- Data Analysis
- Network Security
- Information Analytics & Visualization
- Data centers

Niche Targets

Research District

Top Recommendations

- ✓ Recognize that PNNL will be the primary draw for companies to the District
- ✓ Focus investments on smaller Park next to the Lab
- ✓ Focus early efforts on low-cost marketing, then establish Park authority and hire a director
- ✓ The Research District should be a regional marketing effort
- ✓ Reinvest new property taxes from Park back into Park
- ✓ Coordinate and expand incubator services in the Park

Regional Implementation

- New funding will be needed
- Regional collaboration is required
- New focus on marketing what you have
- Organize volunteer effort behind the plans

Stay Tuned

Stay tuned to the Web sites:

www.ResearchDistrictFuture.com

www.TRIDEC.org

www.ci.kennewick.wa.us

Celebrate our success!!!

Participate in these plans !!!

Thank you.

Angelos G. Angelou, Principal

Chris Engle, Vice President

John Warren, Project Manager

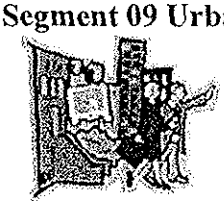
AngelouEconomics
technology-based economic development

ZIP Code Lookup: Results

Post Office: **Kirkland, WA**

Top Tapestry Segments

Segment 09 Urban Chic



Urban Chic residents are professional couples living an urbane, exclusive lifestyle. They are homeowners; many are city dwellers with a preference for expensive homes in high-rise buildings or townhomes (median value tops $472,000). Median age is 41 years. They travel extensively and embrace city life by visiting museums, attending dance performances and shopping at upscale stores. Civic-minded Urban Chic residents volunteer to work for political parties.

- Traffic
- Shopping Centers
- Maps

Being news junkies, they read multiple newspapers each day and listen to news talk and public radio.

Segment 08 Laptops and Lattes

The most eligible and unencumbered marketplace—Laptops and Lattes are affluent, single, and still renting. They are educated, professional, and partial to city life, favoring major metropolitan areas such as New York, Boston, Chicago, Los Angeles and San Francisco. Median household income is more than $87,000; median age is 38 years. Technologically savvy, the Laptops and Lattes segment is the top market for notebook PCs and PDAs. They use the Internet on a daily basis to trade stocks and make purchases and travel plans. They are health conscious and physically fit; they take vitamins, use organic products, and exercise in the gym. They embrace liberal philosophies and work for environmental causes.

Segment 16 Enterprising Professionals

This market is home to young, highly educated working professionals. Single or recently married, they prefer newer neighborhoods with townhomes or apartments. Typically found in cities, these residents would rather rent than own. Median household income is almost $65,000. Their lifestyle reflects their youth, mobility and growing consumer clout. To keep in touch, Enterprising Professionals residents rely on cell phones, PDAs, and PCs. They use the Internet to search for a job or a place to live, track their investments, or shop. Enterprising Professionals residents travel for business and pleasure. They practice yoga, take aerobic classes and jog to stay physically fit.

2006 Summary	ZIP 98033	National
Total Population	31,733	303,582,361
Total Households	14,518	114,049,635
2006 Population by Race		
White Alone	85.5%	73.0%
Black Alone	1.3%	12.6%
American Indian Alone	0.5%	0.9%
Asian or Pacific Islander Alone	8.1%	4.3%
Some Other Race Alone	1.6%	6.4%
Two or More Races	3.1%	2.8%

Hispanic Origin	4.1%	14.8%
2006 Population by Sex		
Male	49.5%	49.2%
Female	50.5%	50.8%
2006 Households by Income		
Median Household Income	$88,255	$51,546
HH Income Under $50K	20.8%	48.4%
HH Income $50K-$100K	35.8%	31.8%
HH Income Over $100K	43.4%	19.8%
2006 Average Home Value	**ZIP 98033**	**National**
	$560,261	$264,327

The Community Tapestry segmentation system divides U.S. residential areas into 65 segments based on demographic variables and consumer behavior characteristics to provide an accurate and detailed description of America's neighborhoods. Learn more about this Free ZIP Lookup, Community Tapestry and the Tapestry Area Profile.

ESRI Web Sites: **ESRI.com** **Geography Network** **GIS.com**

For more information, please call 800-292-2224.

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Sustainable September

Sustainable September is a collaborative effort between the Kirkland Chamber of Commerce, business members, (engineering firms, realtors, designers, architects, builders, green car companies, and financial institutions), community members and utilities including but not limited to the City of Kirkland, Lake Washington Technical College and Puget Sound Energy. The purpose of Sustainable September is to connect business and community on the Eastside (Kirkland and surrounding areas including unincorporated King County) by joining forces with all the stakeholders to promote sustainable businesses.

This includes:

- Creating public awareness and demand for sustainability and educate it's role in the future of the Eastside
- Promoting businesses, educational organizations and governments that are currently that are providing green buildings and services options for consumers and professionals or engaging in sustainable practices
- Providing educational opportunities for both professional continuing education and consumer education
- Focusing on the promoting the economic benefits of sustainability.

It is our goal that by highlighting successful organizations in the Kirkland area that are providing sustainable products and services, we will generate awareness and demand for these goods and services and the rationale for other businesses to locate into Kirkland's growing incubator of sustainable industry/green cluster businesses.

Components of Sustainable September include:

- **Marketing and Public Relations** before and during the month of September highlighting all faucets of sustainable business practices; utilizing media contacts, mailings, newsletters, and numerous publications throughout the eastside community,
- **Trade Show (September 14th and 15th)** highlighting local businesses and organizations and their sustainable practices, products and services. It will be held in the middle of September with breakout sessions/classes for both consumers and professionals.
- **Continuing Education Classes** will be offered throughout the month of September at various locations throughout the Eastside. These classes will target realtors, architects, engineers, builders, designers, city staff/permitting departments, real estate, mortgage brokers and bankers, attorneys, developers and other professionals.
- **Public Education** classes will be offered at the Trade Show and will promote green practices for the home owner.
- **Web Page** will be developed as an information source for consumers. It will highlight the tradeshow, classes, and provide links to other information resources for sustainable practices and later will become a permanent source of information and resources for local companies engaged in sustainability practices, products and services.
- **Keynote speakers** will include celebrity or other famous people who will be easily identifiable and provide motivation to the public.
- **Awards program** will highlight those members of the community who are pioneers in sustainable business practices. The intent is to identify models for others to emulate.
- **Tours** of green businesses and buildings to highlight sustainable features

For more information please contact: Brenda Nunes, Kirkland Chamber President, bnunes@aesgeo.com

RETAIL AND MIXED USE DEVELOPMENT CONCEPTS AND PROJECTS

the Matter

Great communities elevate the human spirit through beauty, amenity, culture, and history. Tempe's downtown fountain (above) is one example. The attractive flower stand in Madison, Wisconsin (below, left), is another. Increasingly, downtowns are the place to host community celebrations like the parade in Phoenix (below, right) marking the Arizona Diamondbacks' 2001 World Series win.

and good management. These principles provide the basic guidance needed to produce a plan for good downtowns, cores, or centers.

Many people assumed that the suburban shopping centers being built during the 1960s would provide these qualities. But often they did not. Victor Gruen saw this as early as 1973 and said so in his book, *Centers for the Urban Environment*. He gave a scathing critique of how shopping centers were being built (he called them uni-functional centers), urged that regions be organized around a system of *multi*-functional centers, and said that these centers should be anchored by a wide range of functions (not just shopping).

Several research studies came to the same conclusion. The first, compiled in 1968 for the U.S. Department of Housing and Urban Development by Barton-Aschman Associates of Evanston, Illinois, recommended that land uses be organized into mixed-use clusters designed to meet the needs of neighborhoods, communities, and regions (even super regions). The second, done in 1981 for the U.S. Department of Transportation, recommended that metropolitan regions be developed into a series of centers (at the subregional level) to provide focal points for regional and subregional transit service. Jerry Schneider, the author of the second report, called this concept "polycentric."

About a dozen metro areas prepared plans following the polycentric concept. They included Minneapolis, Toronto, Vancouver, Chicago, Los Angeles, and Baltimore. Several of these areas developed principles and programs for their development, and a few conducted major studies to measure benefits and establish implementing policies. Locations were proposed, and a few pro-core policies and plans were adopted.

However, no one recognized just how strong such policies and programs would have to be to produce the desired results. And almost no one applied the principles emerging from downtown planning to the design of suburban cores. Very little was done to put new commercial, institutional, or public functions into these centers to make them truly *mixed-use*. Even fewer were compact. And far more development was located outside of centers than within.

Some hope

The result is the condition we have today: the widespread, single-use, unplanned, wasteful, vulnerable-to-obsolescence, and often conflicting development that we call sprawl–with all its attendant problems.

According to the Urban Land Institute, one in five of the country's major suburban shopping centers is obsolete or in danger of becoming so. Five of the first six such centers in Phoenix have had to be totally rebuilt. The International Downtown Executives Association recognizes 47,000 shopping centers in the U. S. Most of these could be targeted for improvement, as could tens of thousands of individual office and institutional complexes. The deficiencies of such areas are a major source of blight, congestion, traffic, environmental degradation, and neighborhood abandonment.

A few organizations—including the American Planning Association, the National Trust for Historic Preservation, and the Regional Plan Association in New York City—have suggested ways to deal with these problems. But these programs reach only a tiny fraction of existing cores, and very few, if any, aim to get development in—or become the centers of—new mixed-use centers.

Public and corporate support?

The potential value of mixed-use centers suggests that we should give them wide national, regional, and state support in the same way that we support our goals in education, health, housing, security, transportation, and the environment. We should recognize that such centers may be one of the best tools we have to achieve planning goals.

One who makes this point strongly is Donovan Rypkema, an economic development consultant and principal of the firm Place Economics. Writing in the Winter 2003 issue of the *Journal of the American Planning Association*, he noted that downtowns are important for effective environmental, transportation, preservation, and smart growth policies. He also noted that downtowns are essential for community economic health, diversity, and public expression.

The same points apply if you substitute the word "cores" for the word "downtowns."

Other arguments for cores

Victor Gruen suggested that mixed-use centers have the following traits:

* *Consistency with market trends.* Cities have always grown around markets. But in the 20th century, extensive automobile use created more potential sites than markets can support, making it hard to focus demand in good cores and encouraging sprawl. In this century, however, continued population growth, combined with increased congestion, will make cores more attractive as the way to handle growth.

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Arlington Heights Planning and Community Development Department

Mary Chris Scottsdale

Arlington Heights, Illinois

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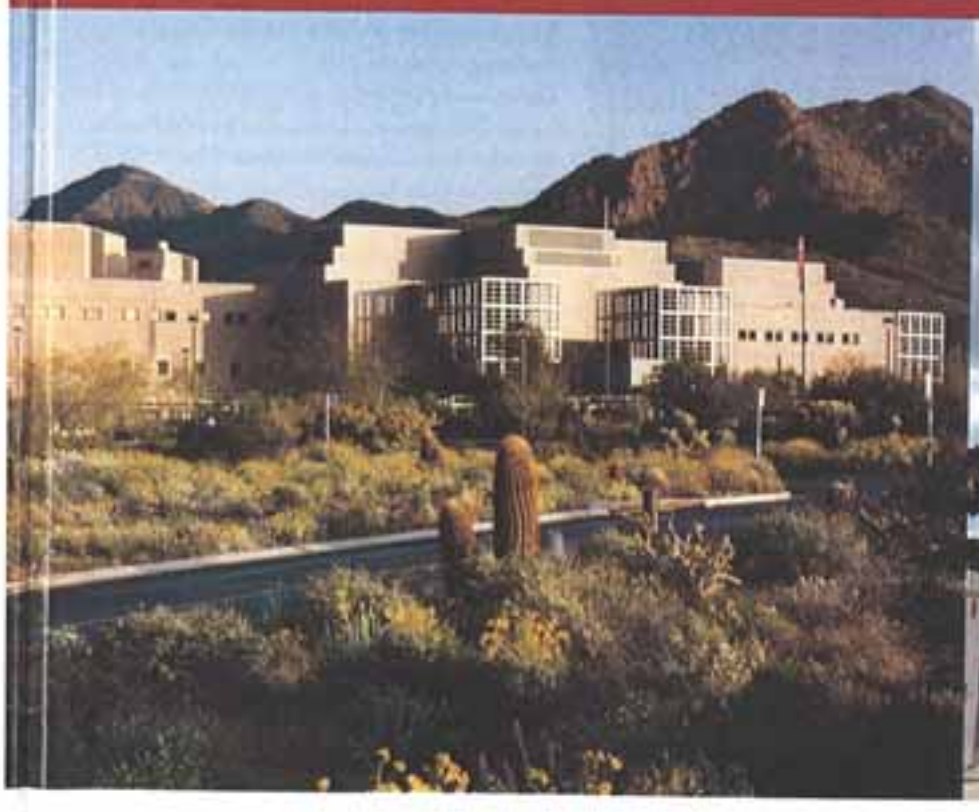


Rod Pegden

• *Housing opportunity, urbanity, and self-sufficiency.* In Schneider's study, the arguments for the polycentric urban form fall into three categories: providing places other than the central city for low-income people to live, making the suburbs more urbane, and making the outlying parts of the city more self-sufficient. These three objectives appear in nearly all regional development plans.

How can we get better mixed-use centers?

Considering our obvious need for mixed-use centers, there are not nearly as many of them as one would expect. What makes us think we will be more successful in creating them today?

For starters, the failure and obsolescence of so many shopping centers has increased our awareness of the shortcomings of single-use centers. Further, many experienced consult-

Rod Engelen

Downtown development in Minneapolis (above) and Chicago (below) is based on sound planning principles, calling for good access, internal circulation, mixed uses, compactness, amenities, supporting functions, and sound management.

Rod Engelen

ants and organizations are now available to assist in project planning and management.

Second, true mixed-use developments require public (including transportation) and institutional involvement. In the past, however, there were numerous legal and financial barriers to cooperation between government and private entities. Recent changes in local and state laws now make it more feasible to accommodate multiple and mixed uses.

Public acceptance is also higher. Enough good projects have been built in recent years to make it easier to gain acceptance and support for mixed-use developments and the higher densities they typically imply.

Finally, there has been pressure on land costs. In the past, with abundant land and low land costs, communities and developers faced littl pressure to cooperate. This is no longer the case which means that developers are looking fo partners to help save money or share costs.

What to do now?

Today, there are many more relatively smal self-contained, mixed-use projects, usually wit a single developer. And many existing core are benefitting from efforts to nourish th depth and variety of their activity.

Meriter Hospital in Madison, Wisconsin has added a retirement center to its down town location, enriching the city's center.

In Glendale, Arizona, the new Cardina Stadium and the adjacent, 223-acre maste planned development have the potential c becoming a whole new downtown compet tive with Phoenix and Scottsdale.

Further, old military bases are being con verted to urban villages. (See "Extrem Makeovers," April 2005.) However, their n building needs to follow sound core prin ciples more closely.

In all these cases, there has been a delibera attempt to make the cores more mixed-use and to include housing. This is an importa first step.

Who's improving centers and cores

Dozens of older centers in Chicago and i suburbs are adding hundreds of housing uni along with theaters, restaurants, health club book stores, and coffee shops to create a muc stronger draw for shopping and work. In Ch cago, anchors such as the University of Illinc and the West Side Medical Center have joine developers to create neighborhoods with a healtl mix of activities and cores.

Arlington Heights is a commuter rail subu northwest of Chicago whose dominant featu is a race track located about a mile from downtown. In 1987, the community began systematic retrofit of its 16-block, 46-acre dow town. Since then, the number of downtov housing units has grown from 150 to 1,2 and the downtown population from 350 2,200. By 2001, downtown's assessed value h jumped from $10.7 million to $43.7 million.

Downtown Arlington Heights now includ a new performing arts center, offices, reta and a commuter station. Dedicated lead ship, clear goals, and an experienced and de cated staff—plus a building boom—have co bined to make the project a success.

Mayo Clinic Hospital in Phoenix takes

a 210-acre site–an area larger than the hearts of downtown Minneapolis or Denver. On the campus are new clinics, a hospital and research center, education and administrative functions, housing for medical staff and students, and a hotel. Development of the Phoenix campus is just beginning. This could be a major center with much of the convenience, urbanity, and amenity of a downtown.

With such strong demand, the Mayo Clinic is obviously in a position to lead—and the local market is able to support—almost any plan that can be imagined. The degree to which this can be a true mixed-use project is limited only by the clinic's understanding of what is possible and of how its needs can be best met in the context of a mixed-use core.

Next steps

Douglas Porter has identified two types of mixed-use areas and some new centers that match them. (See "Business-Oriented Neighborhoods: Their Time Has Come," January 2004). He sees these as evolving from office parks and similar clusters of non-residential use to mixed-use with both civic and residential components. He identifies emerging centers near Dallas, Charlotte, West Palm Beach, and Washington, D. C. Once this trend takes hold, he says, it opens the way to creating thousands of mixed-cores through retrofitting of existing office and industrial parks, and medical, university, corporate, recreational, and other campuses.

What must we do to make successful mixed-use development the norm?

First, we should give formal endorsement, perhaps in the policy structure of our professional groups, to the concept of mixed-use cores.

Second, we should also provide guidelines and principles for development. Hundreds of mixed-use developments fall far short of their potential because they fail to follow one or more of the seven basic elements explained above. Understanding and commitment are needed.

Third, major educational and research centers should be established around the U.S. to assess the value and potential of mixed-use cores. These could be connected with appropriate planning, professional, or university organizations, such as the Regional Plan Association and APA.

Finally, states should become much more involved in promoting mixed-use core development. Such involvement and cooperation is needed to mediate, support, and span the interests of individual communities and to provide an umbrella of policies, programs, and laws to encourage and support core development. A few states are involved in small but useful ways in Main Street programs sponsored by the National Trust for Historic Preservation. This approach should be broadened and expanded.

The problems limiting mixed-use areas are fewer and easier to overcome than they have been in past decades. However, these places are not going to happen without the support and work of the planning community. Much needs to be done.

Rodney Engelen, now retired, was a cofounder and senior partner of Barton-Aschman Associates in Evanston, Illinois, where he assisted 50 communities in planning their downtowns. He later was assistant to the mayor of Phoenix and an adjunct professor in planning at Arizona State University.

What the Expert Said

Victor Gruen, once a successful shopping center designer, later became a severe critic. In his 1973 book, *Centers for the Urban Environment*, he wrote that shopping centers had become a bad model for almost every kind of development. What he especially disliked was its "uni-functional" composition.

Below are four examples of uni-functional centers that Gruen said would operate better as mixed-use centers. Others might include medical, sports, research, and back office functions.

• *Civic centers.* "These are huge conglomerations of governmental office structures in which bureaucrats meet only bureaucrats and are estranged from those whom they are supposed to serve. Like all uni-functional centers, they create traffic peaks. . . . They become deserted and sometimes unsafe in the evening and during holidays."

• *Centers for the performing arts.* "They represent the ingenious idea of concentrating a number of theaters, an opera house, and concert halls on one isolated land area . . . The only effects are that they flatter the ego of their sponsors and create chaotic traffic congestion during the short time spans when all the show places begin or end their performances."

• *Educational centers.* "Whether high school or university campuses, these constitute ghettos for the young."

• *Office centers:* "Here offices of private corporations are concentrated in heaps of skyscrapers, traffic-logged at office opening and closing times and deserted" at other times.

Gruen pointed to particular problems of uni-functional developments: needlessly costly and complicated travel patterns, sterile environments with limited services, and unnecessary public and private financial burdens.

As a footnote, it should be said that Vienna, Austria, Gruen's hometown, offers an example of how *not* to build a core. The United Nations has developed a complex of offices there that employ more than 4,000 people. The area has good access to highways and transit, and it attracts thousands of visitors each year for meetings and conferences.

But in almost every other regard it fails to conform to sound principles for core development. It is almost completely unifunctional and is separated from most of the uses that would be mutually beneficial, including housing and businesses that would help to meet the needs of visitors and employees.

The need to avoid this kind of project and replace it with good mixed-use development as envisioned by Gruen and many others is very great.

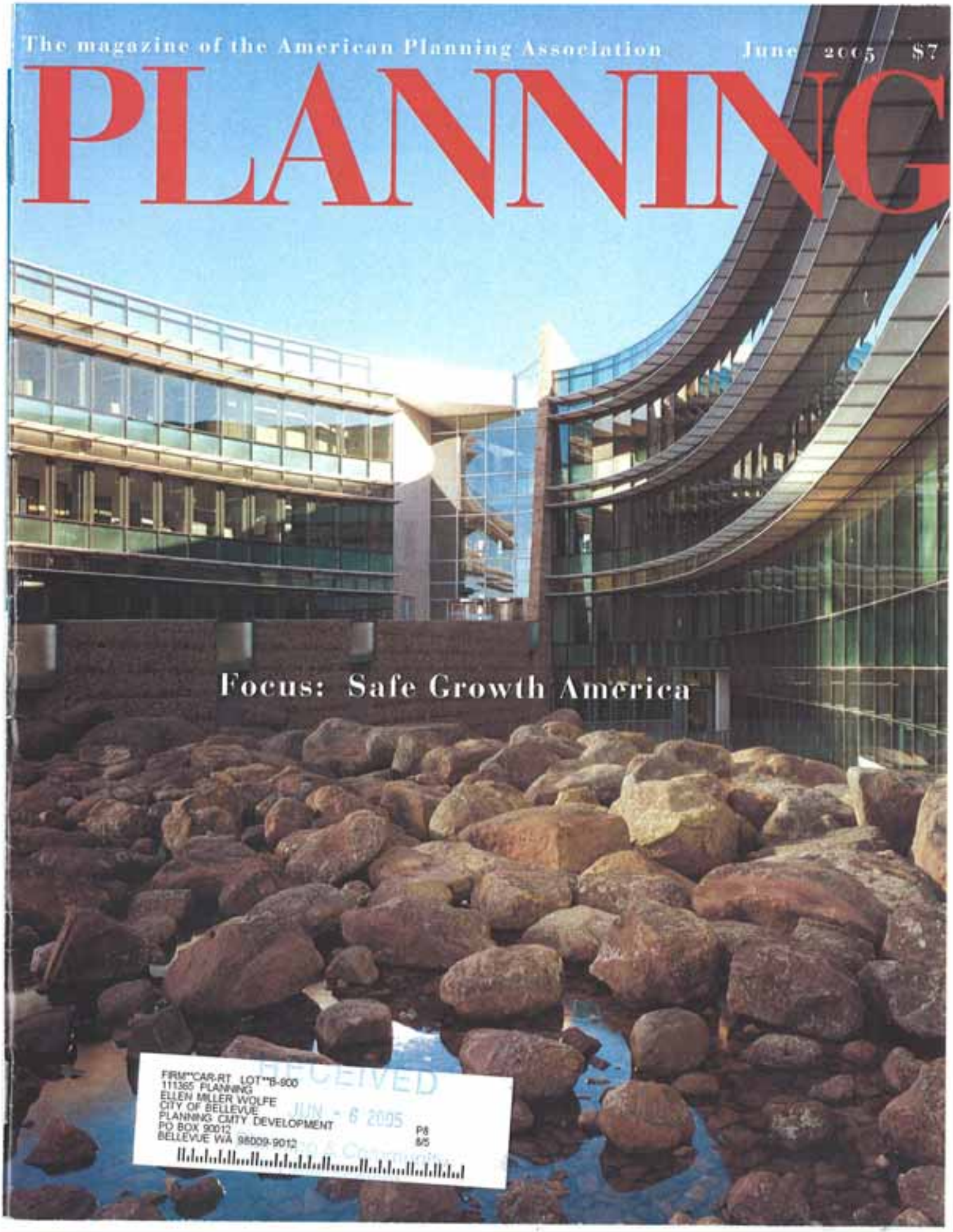
Photo of model by Rod Engelen

Vienna, Victor Gruen's native city, is home to a U.N. facility that is the opposite of the type of lively, mixed-use center that he advocated.

Rod Engelen

The magazine of the American Planning Association June 2005 $7

PLANNING



Focus: Safe Growth America

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Dave LS: Nice to get Amy's Mommy!

The Heart of

By Rodney E. Engelen, AICP

In the fight against sprawl, it's mixed-use cores to the rescue.

Planners work hard to make great communities happen. But would great communities:

- Relentlessly destroy farms, wetlands, and natural resources?
- Wantonly waste energy and water?
- Stick with expensive and inadequate transportation systems?
- Make second-class citizens of the poor, elderly, and disadvantaged?
- Do little to elevate the human spirit through beauty, amenity, culture, and history?

Many of us are trying to re-energize planning at the project scale. Consider the many recent initiatives to deal with sprawl, manage growth, and market "new urbanism" principles. But we must do much more, more boldly, on a larger scale, and do it better.

To start, we must define what we mean by "greatness." Here are four possible elements of such a definition: Allow everyone to live in well-planned communities and neighborhoods. Save natural areas and open space and protect cultural and historic features. Provide adequate infrastructure. Locate all intense, "attraction" activities in well-planned, mixed-use areas–downtowns and cores.

While we need more success in all of these areas, the most important would be building good downtowns and cores. Intense commercial, governmental, institutional, and cultural functions are the key generators of employment, focal points of society, and basic shapers of our cities. We should require them to be part of healthy, mixed-use cores.

A familiar tune

It is discouraging to realize that this conclusion was reached more than 40 years ago in dozens of research projects, books, and regional plans. Some of the early work in this area was undertaken in cities seeking to overcome years of neglect during the Depression and World War II—and to cope with competition from newly energized suburbs.

The Chicago Central Area Committee did excellent work in the 1950s, when Ted Aschman, the city's former planning director, served as the committee's consultant. He drew on experiences in Cincinnati and Seattle as well as Chicago. Aschman assembled a set of development principles and convinced a receptive business community and the first Mayor Daley of their value. They guide development in downtown Chicago to this day. In 1958, Minneapolis became the first city to adopt these principles for its downtown. Others followed suit.

Briefly stated, the principles say that to be successful a downtown or core must have the following: good access, mixed uses, compactness, ease of internal movement, amenities and images, strong environmental support

the Matter

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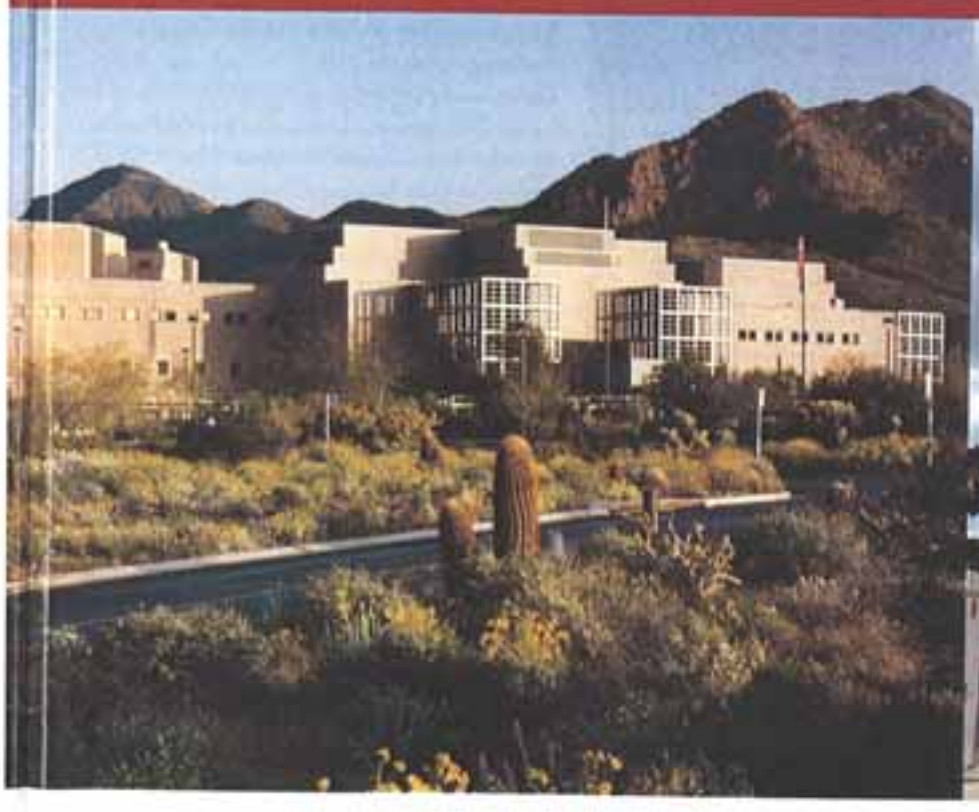
Arlington Heights, Illinois

...ban Arlington Heights, Illinois (above), has added almost 1,000 housing units to its downtown in the last 20 years, along with a new performing arts ...ter, offices, and retail. The Mayo Clinic has facilities in both Scottsdale (below, left) and Phoenix. Now the Phoenix campus is being developed to create a ...ban center on a 210-acre site—larger than many established downtowns. Streetscaping (below, right) is another image booster.



Rod Pegden

• *Housing opportunity, urbanity, and self-sufficiency.* In Schneider's study, the arguments for the polycentric urban form fall into three categories: providing places other than the central city for low-income people to live, making the suburbs more urbane, and making the outlying parts of the city more self-sufficient. These three objectives appear in nearly all regional development plans.

How can we get better mixed-use centers?

Considering our obvious need for mixed-use centers, there are not nearly as many of them as one would expect. What makes us think we will be more successful in creating them today?

For starters, the failure and obsolescence of so many shopping centers has increased our awareness of the shortcomings of single-use centers. Further, many experienced consult-

a 210-acre site–an area larger than the hearts of downtown Minneapolis or Denver. On the campus are new clinics, a hospital and research center, education and administrative functions, housing for medical staff and students, and a hotel. Development of the Phoenix campus is just beginning. This could be a major center with much of the convenience, urbanity, and amenity of a downtown.

With such strong demand, the Mayo Clinic is obviously in a position to lead—and the local market is able to support—almost any plan that can be imagined. The degree to which this can be a true mixed-use project is limited only by the clinic's understanding of what is possible and of how its needs can be best met in the context of a mixed-use core.

Next steps

Douglas Porter has identified two types of mixed-use areas and some new centers that match them. (See "Business-Oriented Neighborhoods: Their Time Has Come," January 2004). He sees these as evolving from office parks and similar clusters of non-residential use to mixed-use with both civic and residential components. He identifies emerging centers near Dallas, Charlotte, West Palm Beach, and Washington, D. C. Once this trend takes hold, he says, it opens the way to creating thousands of mixed-cores through retrofitting of existing office and industrial parks, and medical, university, corporate, recreational, and other campuses.

What must we do to make successful mixed-use development the norm?

First, we should give formal endorsement, perhaps in the policy structure of our professional groups, to the concept of mixed-use cores.

Second, we should also provide guidelines and principles for development. Hundreds of mixed-use developments fall far short of their potential because they fail to follow one or more of the seven basic elements explained above. Understanding and commitment are needed.

Third, major educational and research centers should be established around the U.S. to assess the value and potential of mixed-use cores. These could be connected with appropriate planning, professional, or university organizations, such as the Regional Plan Association and APA.

Finally, states should become much more involved in promoting mixed-use core development. Such involvement and cooperation is needed to mediate, support, and span the interests of individual communities and to provide an umbrella of policies, programs, and laws to encourage and support core development. A few states are involved in small but useful ways in Main Street programs sponsored by the National Trust for Historic Preservation. This approach should be broadened and expanded.

The problems limiting mixed-use areas are fewer and easier to overcome than they have been in past decades. However, these places are not going to happen without the support and work of the planning community. Much needs to be done.

Rodney Engelen, now retired, was a cofounder and senior partner of Barton-Aschman Associates in Evanston, Illinois, where he assisted 50 communities in planning their downtowns. He later was assistant to the mayor of Phoenix and an adjunct professor in planning at Arizona State University.

What the Expert Said

Victor Gruen, once a successful shopping center designer, later became a severe critic. In his 1973 book, *Centers for the Urban Environment*, he wrote that shopping centers had become a bad model for almost every kind of development. What he especially disliked was its "uni-functional" composition.

Below are four examples of uni-functional centers that Gruen said would operate better as mixed-use centers. Others might include medical, sports, research, and back office functions.

• *Civic centers.* "These are huge conglomerations of governmental office structures in which bureaucrats meet only bureaucrats and are estranged from those whom they are supposed to serve. Like all uni-functional centers, they create traffic peaks. . . . They become deserted and sometimes unsafe in the evening and during holidays."

• *Centers for the performing arts.* "They represent the ingenious idea of concentrating a number of theaters, an opera house, and concert halls on one isolated land area . . . The only effects are that they flatter the ego of their sponsors and create chaotic traffic congestion during the short time spans when all the show places begin or end their performances."

• *Educational centers.* "Whether high school or university campuses, these constitute ghettos for the young."

• *Office centers:* "Here offices of private corporations are concentrated in heaps of skyscrapers, traffic-logged at office opening and closing times and deserted" at other times.

Gruen pointed to particular problems of uni-functional developments: needlessly costly and complicated travel patterns, sterile environments with limited services, and unnecessary public and private financial burdens.

As a footnote, it should be said that Vienna, Austria, Gruen's hometown, offers an example of how *not* to build a core. The United Nations has developed a complex of offices there that employ more than 4,000 people. The area has good access to highways and transit, and it attracts thousands of visitors each year for meetings and conferences.

But in almost every other regard it fails to conform to sound principles for core development. It is almost completely unifunctional and is separated from most of the uses that would be mutually beneficial, including housing and businesses that would help to meet the needs of visitors and employees.

The need to avoid this kind of project and replace it with good mixed-use development as envisioned by Gruen and many others is very great.

Photo of model by Rod Engelen

Vienna, Victor Gruen's native city, is home to a U.N. facility that is the opposite of the type of lively, mixed-use center that he advocated.

Rod Engelen

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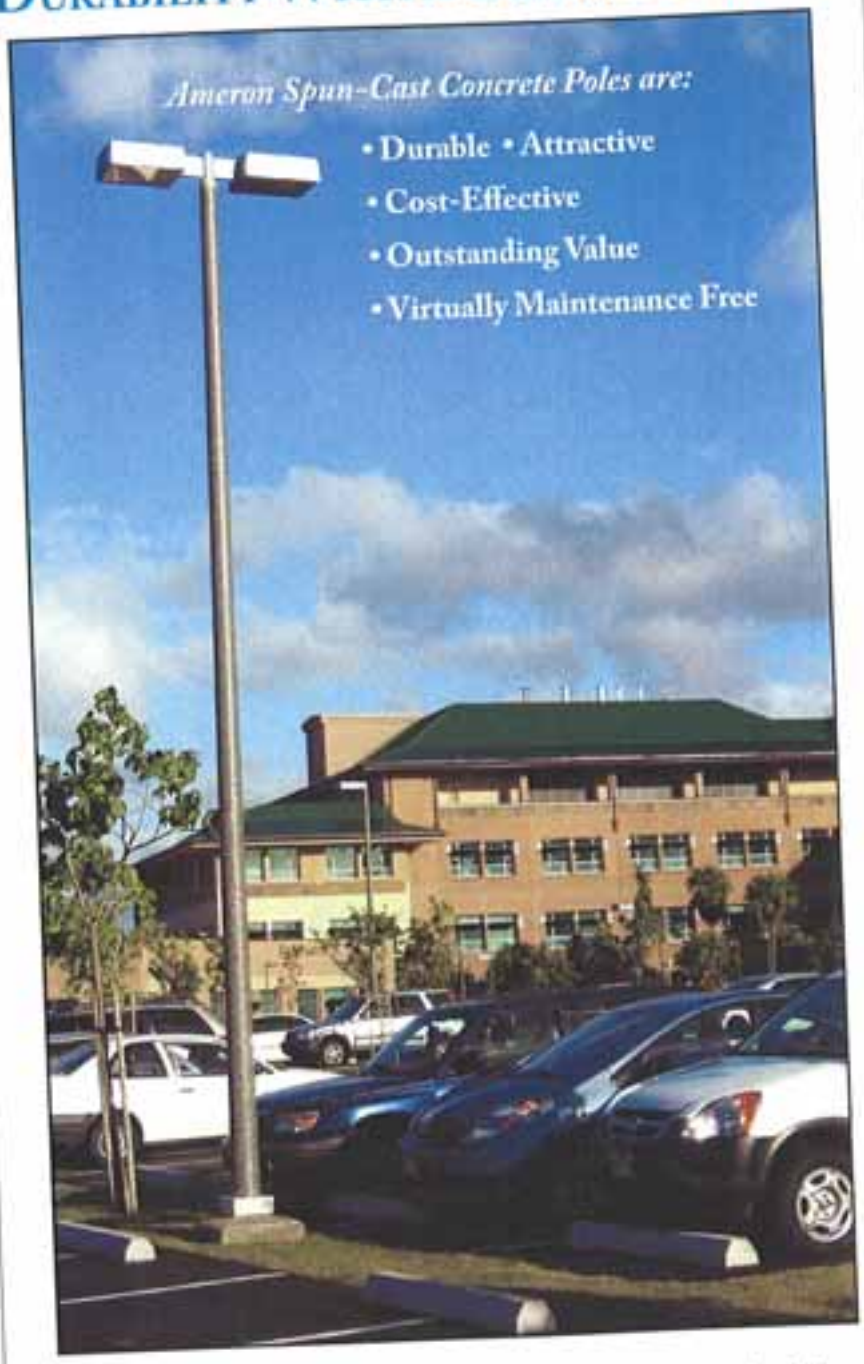

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rather than allow commercial districts and shopping centers to waste away, causing a devastating blow to surrounding neighborhoods.

Gaining support for a new comprehensive approach to retail planning that calls for greater densities in some suburban commercial districts, a reduction in the overall amount of retail-zoned land, and tax sharing will not be easy. The NIMBY contingent will be out in force trying to stop more concentrated growth patterns; property rights advocates will attempt to stop public/private partnerships from assembling and redeveloping underused, obsolete, and deteriorated properties; and some suburban communities at the fringe will undoubtedly balk at cooperating with their neighbors. To counter these forces, we need to build a much stronger constituency in the suburbs by building the case with residents that the livability and sustainability of their communities depend on greater retail density, less retail sprawl, and well-planned retail on a regional level. UL

It is far better for a community and for private investment to strengthen existing assets by encouraging reinvestment in them than to abandon them and build somewhere else, as has been the trend for the past 50 years. The market already is beginning to rebalance this ratio, and the playing field needs further leveling to encourage this new trend.

ULX

RON NYREN

Greener Retail

Individual retailers and shopping center developers are adapting sustainable design strategies for the retail industry.

RETAIL IS ONE OF THE MOST challenging building types to make truly sustainable. Shopping centers are highly automobile dependent because shoppers would rather not carry onto a bus their new high-definition TVs, exercise bicycles, and fall wardrobes. Retail developers do not always retain ownership of projects long enough to reap the long-term benefits of sustainable strategies—strategies that rely on tenant acceptance in an industry particularly sensitive to short-term financial concerns.

Nevertheless, as more institutional, office, and residential buildings go green, retail is starting to catch up. In many cases, the trail was blazed by retailers whose customer base naturally responds to environmental concerns—sellers of organic food or outdoor recreational equipment, for instance—but now large chains such as Wal-Mart, Target, and Starbucks are making significant strides on sustainability. More developers are finding ways to incorporate green building techniques into large shopping centers. And the U.S. Green Building Council (USGBC) is currently pilot-testing Leadership in Energy and Environmental Design (LEED) standards for new retail construction.

Here, in alphabetical order, are ten noteworthy sustainable retail projects in North America.

RON NYREN is a freelance writer based in the San Francisco Bay area.

DAVID ARGOLLITE PHOTOGRAPHY

1. Abercorn Common, Savannah, Georgia

When a shopping center includes a McDonald's with a Gold LEED Core and Shell (LEED-CS) rating, you know it is not your standard mall. Savannah-based owner/developer Melaver Inc. and Atlanta-based Ozell Stankus Associates Architects completely renovated Abercorn Common last year, enlarging the 1960s center from 90,000 to 169,000 square feet (8,360 to 15,700 sq m). One of the pilot projects for LEED-CS, the project earned a Silver rating overall. A highly reflective white roof, energy-efficient glazing, a tight building envelope, and high-efficiency lighting and heating, ventilating, and air conditioning (HVAC) systems are designed to reduce electricity use by more than 30 percent. A large cistern stores rainwater gathered from the roof for irrigation and other uses. Pervious pavement in parking areas reduces stormwater runoff. Located near three bus lines, the center also offers preferred parking for hybrid vehicle owners and carpoolers. Plaques throughout the center educate shoppers about the sustainable strategies applied.

2. Fairlane Green, Allen Park, Michigan

This 1 million-square-foot (92,900-sq-m) retail and recreational center occupies part of Ford Motor Company's 243-acre (98-ha) former industrial waste landfill, closed and capped in the 1980s. After using $30 million in tax increment financing from the Michigan Department of Environmental Quality to protect the cap, provide utilities, and reduce settlement, Ford sold the first phase of the project to Irving, Texas–based developer Archon Group. This phase, Fairlane Green, a 405,000-square-foot (37,626-sq-m) shopping center designed by Dallas-based architecture firm O'Brien & Associates, received a LEED-CS Gold certification from the USGBC. Opened in 2005, the center devotes two-thirds of the site to undeveloped green space, including a 43-acre (17-ha) park, making it 60 percent less dense than typical retail developments. Stormwater detention ponds provide water for irrigation, while bioswales and wetland-type retention ponds further manage stormwater runoff. Reflective white roofing and high-efficiency HVAC equipment are designed to save energy.

3. Giant Eagle, Brunswick, Ohio

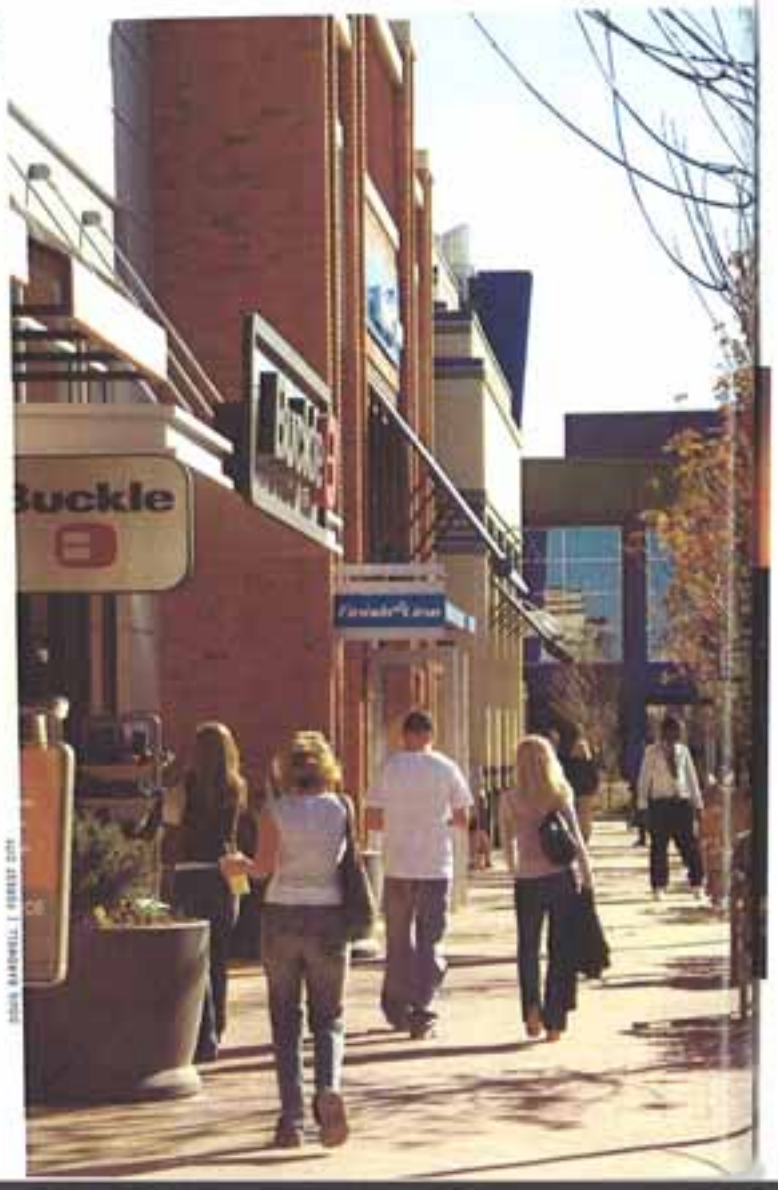
Pittsburgh-based grocery chain Giant Eagle intends to use its LEED-certified Brunswick store, designed by Irvine, California–based MCG Architecture, as a prototype for future LEED-certified stores. Completed in 2004, the 80,000-square-foot (7,432-sq-m) store relies on wind-generated power for much of its electricity. Its 50 skylights are equipped with sensors that dim artificial lights when daylight is plentiful. Resource-conserving measures included the use of wheat and straw boards and other rapidly renewable materials, as well as Forest Stewardship Council–certified wood. The construction process salvaged 75 percent of construction debris. The chain also has received the U.S. Environmental Protection Agency's Partner of the Year Award for the past three years for its commitment to energy efficiency.

4. Mountain Equipment Co-op, Ottawa, Canada

The 23,680-square-foot (2,200-sq-m) Ottawa store of Canada's largest consumer cooperative recycled an existing structure, reusing its steel joists, foundation, and terrazzo floor and adding salvaged timbers. In recognition of the relatively short lifespan of retail facilities, the building, which opened in 2000, is designed with screw connections and panelized materials for easy disassembly at the end of its life. Designed by a joint venture of Ottawa-based Linda Chapman Architect and Christopher Simmonds Architect, the store is the first retail building in Canada to meet the country's C2000 Green Building Standards, with low-toxicity materials and finishes, a large cistern that collects and stores rainwater, a roof monitor and skylights, and a tight building envelope with an unusually high level of insulation.

5. Northfield Stapleton, Denver, Colorado

Part of the larger reuse of a former airport site, the 1.2 million-square-foot (111,484-sq-m) Northfield Stapleton shopping center received a LEED-CS Silver certification from the USGBC for the core and shell, but Cleveland-based developer Forest City also encourages tenants themselves to adopt sustainable strategies, providing a tenant handbook outlining green strategies and offering cash incentives for following them. The project incorporated 120,000 tons (109,000 metric tons) of recycled airport tarmac. It also uses low-toxicity finishes, and for lower energy use relies on an evaporator cooling systems, energy management and monitoring, and reflective roofing. High-tech irrigation systems conserve water, as do waterless urinals and use of stormwater detention ponds to supply the irrigation system. Forest City estimates that two-thirds of the higher upfront construction costs will be paid back in eight to nine years. Denver-based architect of record Mulhern Group, Boston-based Elkus Manfredi Architects, and San Francisco–based Field Paoli contributed to the center, which opened this past October.

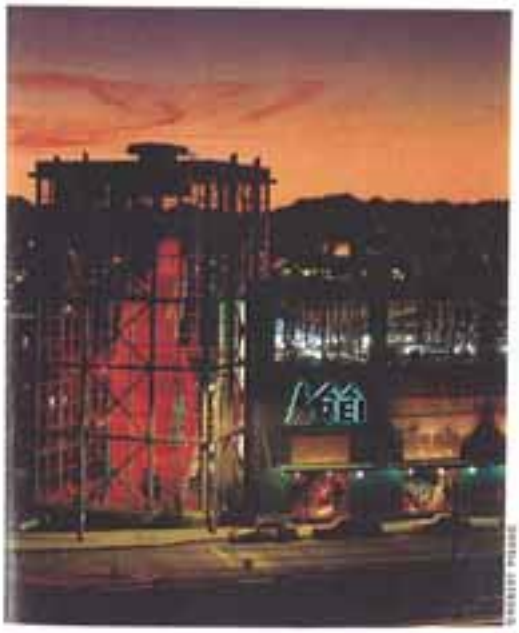


6. PNC Bank (various locations)

Currently, the USGBC requires each building it considers for certification to be registered individually. For retailers who roll out multiple stores each year, the cost and time requirements are often prohibitive. Pittsburgh-based PNC Financial Services Group has been working with San Francisco–based Gensler and Seattle-based green building consultant Paladino & Company to develop a prototype design for bank branches that will simplify certification. Over the past couple of years, the company has had 25 of its branches LEED certified in the U.S. eastern and central regions. Green strategies include prefabricated walls, structural steel, and glazing assemblies designed to speed on-site construction and reduce waste; daylight and occupancy sensors; and low-toxicity materials and finishes. A training program helps ensure that each new contractor integrates sustainable measures as planned.

7. REI Seattle, Seattle, Washington

In seeking to create an environmentally responsible Seattle flagship store, Recreational Equipment Inc. (REI), a consumer cooperative based in Kent, Washington, asked its members to weigh in with ideas. They identified energy efficiency, resource-efficient materials, and recycling of construction waste as their top priorities for the new structure. Designed by Seattle-based Mithun Architects + Designers + Planners and completed in 1996, the 80,000-square-foot (7,430-sq-m) store includes a climbing wall enclosure that relies on computer-controlled louvers and the stack effect for ventilation and temperature control rather than air conditioning. Daylighting, occupancy sensors, high-efficiency lighting, and careful solar orientation also reduce energy use, while engineered wood, minimal internal finishes, waste stone from a nearby quarry, and low-flow fixtures in restrooms are among resource-saving measures. Seventy-six percent of debris from the demolition of existing buildings was recycled, reused, or salvaged.



8. Shops at Tanforan, San Bruno, California

When a 30-year-old shopping mall in San Bruno was purchased by Wattson Breevast LLC of Newport Beach, California, it had many vacant stores and needed substantial renovation. Complicating matters, the three anchors—Sears, JCPenney, and Target—owned their structures and were staying put, which eliminated the possibility of razing the structure. Turning this limitation into a resource-conserving advantage, the owners kept the steel structure of the walls, gutted the interior, replaced the roof, and recycled construction debris. Designed by Altoon + Porter Architects of Los Angeles, the project also incorporated wood from certified forests as well as locally manufactured materials. A high-efficiency HVAC system, an energy management system, and daylighting sensors help lower energy costs, while low-flow plumbing fixtures save water. In addition, the 326,000-square-foot (30,300-sq-m) mall, opened in 2005, is adjacent to bus lines and the San Bruno Bay Area Rapid Transit station.

ULX

9. Whole Foods Market, Sarasota, Florida

Green building strategies make particular sense for a supermarket specializing in natural and organic foods. For Whole Foods Market's 36,000-square-foot (3,345-sq-m) new store in Sarasota, local developer Casto-Zenith Ventures LLC and designer Beame Architectural Partnership of Coral Gables achieved a LEED Silver certification. A water treatment system with an 8,000-gallon (30,300-liter) underground tank collects rainwater from the roof for use in cleaning the store. High-performance insulation, a reflective white roof, and a high-efficiency HVAC system lowered heating and cooling costs. Extensive glazing and use of skylights bring in much more daylight than is typical in grocery stores. A display describing the sustainable strategies used in the project educates shoppers. The store opened in 2004; in 2006, Whole Foods purchased renewable energy credits from wind farms to offset the electricity used in all its facilities throughout North America.

JOHN NEW YORK FOCUS

10. Woburn Plaza, Woburn, Massachusetts

Too often, shopping centers have been dropped into places of great natural beauty with little recognition of their visual and environmental impact. In redesigning the existing Woburn Mall, Cambridge, Massachusetts–based management company Gravestar and New York City–based Croxton Collaborative Architects worked to better integrate the property into its surroundings. The addition of indigenous river birch trees provided flood protection, cooling shade, and a visual buffer that hides the truck loading area. New skylights at the front of each tenant space—customized for the store's solar orientation—bring in natural light, while white roofing reduces heat gain. Replacing oversized signs with smaller ones reduced visual pollution as well, opening up views of the mountain area. The renovation was completed in 2000. **UL**

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HYBRID REDEVELOPMENT

SETH A. SHAPIRO

THE MEDIUM-SIZED REGIONAL SHOPPING MALL IN THE UNITED STATES IS BEING TRANSFORMED INTO A MORE URBAN AND SUSTAINABLE DEVELOPMENT FORM.

The conventional mall—conceived in the 1950s and constructed en masse between 1960 and 1990—is not dying in response to competition from the newer retail malls; instead, it is changing. Orlando Fashion Square Mall, a traditional regional mall located east of downtown Orlando, Florida, and surrounded by acres of surface parking, was once considered the gem of the local retail landscape.

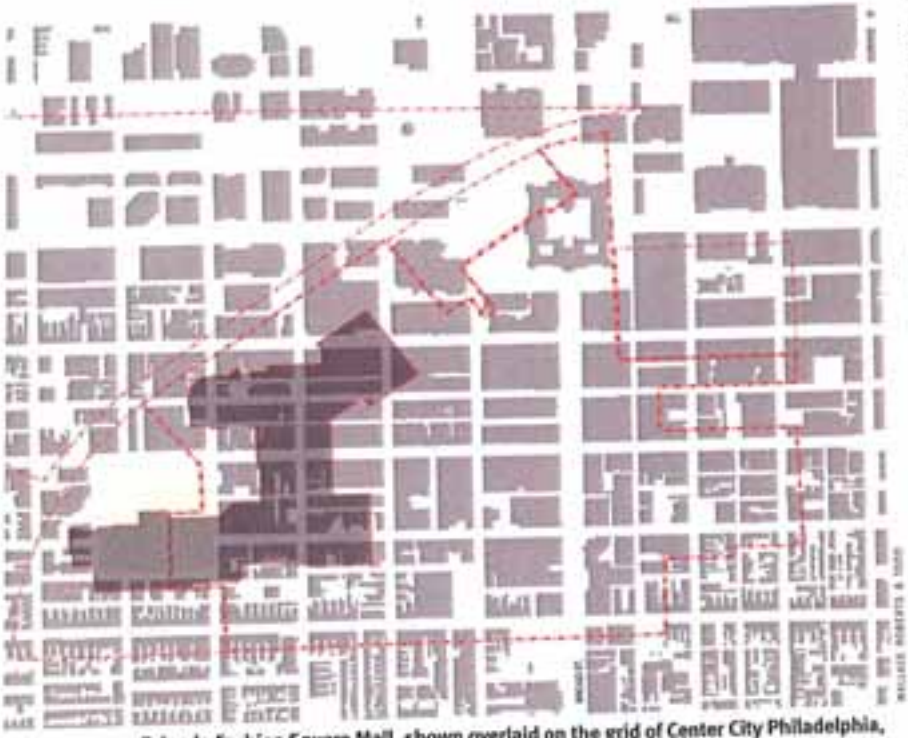
SOCIAL COMMENTATORS, PLANNERS, AND PUNDITS have often proselytized about the demise of America's regional shopping mall. In the late 1980s, the harbinger of death was the invention and propagation of television shopping networks like QVC. Later, it was the Internet, where a revolution in home shopping would negate the need to ever leave the house. Now, the threat emanates from the regional mall's contemporary cousins: mega-malls, power centers, and lifestyle centers.

Yet, the continued prevalence of shopping malls across the country has largely proven these predictions of doom to be dubious. Indeed, while the rate of conventional shopping mall construction has been relatively sluggish in the past decade compared with the previous 20 years, the slowdown probably has more to do with the scarcity of cheap suburban land and the saturation of the mall market than with the preference of American consumers for alternative shopping venues. Shopping malls and suburban retail centers still account for a large percentage of shopping trips and dollars. However, the growth of lifestyle centers—an open-air variation of the mall—their more sterile cousins called power centers, and the new trend of mixed-use town centers makes clear that new kinds of shopping centers are providing competition for the regional mall.

Still, evidence suggests that the conventional mall—conceived in the 1950s and constructed en masse between 1960 and 1990—is not dying in response to

competition from the newer retail models. Instead, it is changing in a way that even the most vocal suburban critics may be able to support.

While rampant suburbanization after World War II and emergence of an automobile-dominated lifestyle gave rise to the regional shopping mall, the rediscovery of urbanism may be spurring a new metamorphosis in the retail landscape. This change, both revolutionary and evolutionary, involves the transformation of the medium-sized regional shopping mall into a more urban and sustainable development form. The revolution appears to be focused on the multitude of medium-sized regional shopping centers built between 1960 and 1990 and having 750,000 to 1.5 million square feet (70,000 to 140,000 sq m) of gross leasable area.



Orlando Fashion Square Mall, shown overlaid on the grid of Center City Philadelphia, encoumpasses a number of city blocks, densonstrating the potential for significant development on the unbuilt portions of the mall property.

Few such conventional shopping malls have been proposed or built during the past five years as most new construction focuses on either power centers or lifestyle centers. Megamalls—such as Pennsylvania's King of Prussia Mall and Minneapolis's Mall of America with its indoor amusement park—also continue to thrive and likely will continue to dominate with their overwhelming size and focus on destination shopping. These hypermalls even cater to tourists and are often surrounded by hotels.

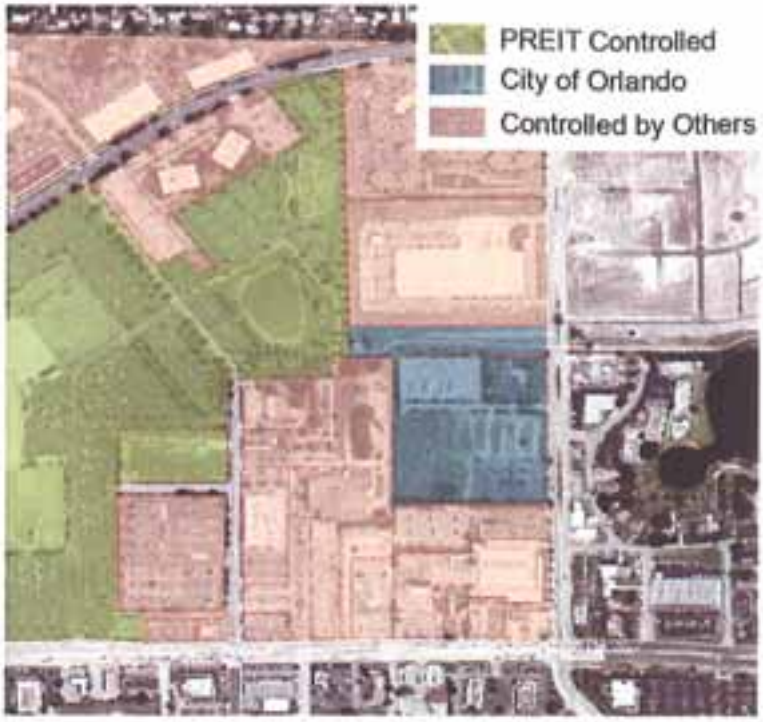
One of the challenges of a mall property is a complex parcel ownership pattern. At Orlando Fashion Square Mall, the property is controlled by the Pennsylvania Real Estate Investment Trust (PREIT), the city of Orlando, and various other parties.

Yet, with calls for sustainable development becoming mainstream, the traditional regional shopping mall is at an important crossroads. For the medium-sized regional mall, recent history suggests several options for the future, some of which, like wholesale clearance and reconstruction, have already been implemented, while other—and arguably the most exciting—approaches are just beginning to be investigated.

Commonly, malls and shopping centers that have failed or closed are known as greyfields in reference to their often drab architecture and the acres of surrounding surface parking. One strategy for these fallow developments is full demolition and then construction on site of lifestyle centers, new residential neighborhoods, or mixed-use town centers. Some of the better-known examples of this approach are in warmer climates, such as Mizner Center in Boca Raton, Florida, which has both residential and office uses, and Winter Park Village in Winter Park, Florida, which remains predominantly a retail development. Another example is the Crossings residential redevelopment, which replaced a moribund shopping center adjacent to a regional commuter rail station in Mountain View, California.

Other proposals for "de-malling" and revitalizing shopping centers include leaving anchor tenants in place and replacing the traditional interior in-line tenant shops with cafés that line new streets and open spaces, thereby turning the mall inside out—and, arguably, into a lifestyle center. This morphology, while attractive in theory, has largely failed to pan out because of complicated parcel ownership and phasing issues that often lead to roadblocks. In the end, many of these proposals have languished, with redevelopment concentrated on adjacent property and the mall either being fully renovated or demolished.

But another strategy that remains largely untapped is based on the premise that a regional mall may not be



obsolete after all. Rather, this strategy sees the mall as an important component of a larger, more sustainable urban framework that can be forged from what was once a suburban pattern. In a sense, this strategy employs the mall as an instrument for urbanization.

Prime candidates for this kind of thinking are the many medium-sized regional shopping malls that have not failed despite increased competition from newer and larger mall models. While these centers still generate revenue for their owners and operators, they are caught in the middle of the changing retail landscape. Such properties can be transformed for a new market—one where consumers are looking for a more exciting and urban shopping experience.

An example is Echelon Mall in Voorhees, New Jersey, one of 39 regional shopping centers owned and operated by the Pennsylvania Real Estate Investment Trust (PREIT), a purchaser of medium-sized regional shopping malls that generate cash flow but have not reached their full potential. PREIT has embarked on an ambitious campaign to remake several of these malls into hybrid centers where at least part of the existing interior mall is maintained or redeveloped and new, mixed-use development is proposed for the surrounding parking areas. Increasingly, as is the case with Echelon Mall, the catalyst for this redevelopment is anchor tenant consolidation.

At its largest, Echelon Mall contained 1.1 million square feet (102,000 sq m) of leasable space, but with the loss of two of its four anchor department stores, the mall was hovering at about 50 percent occupancy. PREIT decided to redevelop the property by demolishing half the mall, concentrating the in-line interior tenants in the remaining portion, and constructing a new boulevard with apartments located above street-level retail space. At buildout, Echelon will be a "right-sized" mall with a main-street retail district, more than 400 residential units for sale or rent, and an upscale grocery store—all on the existing property. Parking will be both on the street and in underground parking decks. Echelon Mall will be the first example of a hybrid redevelopment in the Philadelphia metropolitan area.

Another PREIT property, Orlando Fashion Square Mall, located just east of downtown Orlando, Florida, was once considered the gem of the local retail landscape, but has since experienced heightened competition from newer retail centers throughout the region. Though the mall continues to generate cash flow and see increases in sales per square foot, PREIT has determined that the acres of surface parking surrounding the mall can be redeveloped to support additional uses, including residential and office space and additional lifestyle tenants like restaurants and boutique retailers.

Recognizing that redevelopment of this property would be a unique and complicated task, PREIT hired Wallace Roberts & Todd LLC (WRT) in Philadelphia to formulate a strategy for the PREIT-controlled parcels. With a commitment to environmentally sustainable planning, architecture, and landscape architecture all under one roof, WRT examined how application of these priorities could contribute to a more sustainable development pattern, as well as solve the more specific challenges related to development and phasing.

> The conventional regional mall may play an important role in transforming the **AUTOMOBILE-DOMINATED** suburbs and their associated development types into walkable neighborhoods.

WRT began by conducting a full urban design analysis of the property and the surrounding parcels. Drawing from both recent and historic precedents, the firm presented PREIT with a series of scale comparisons of successful lifestyle centers recently constructed in the region, as well as more traditional retail streets nearby. To heighten understanding of the comparison, the design team also overlaid a plan of the property on the grid of Center City, Philadelphia. The analysis revealed that the potential for redevelopment in the parking areas was large once surface parking was converted into structured spaces, and that usable open space was scarce at Fashion Square, with a single stormwater detention basin serving the entire parcel.

WRT also noted that a new urbanist community, Baldwin Park, was nearing completion less than a quar-

With the addition of residential, office, restaurant, and boutique spaces, as well as open space, a new mixed-use neighborhood can be created within the bounds of the existing parking areas of the mall.

ter mile (0.4 km) from Fashion Square, providing 3,600 residential units on the former Orlando Naval Training Center site at buildout. Many of the families and individuals who have already moved there paid a premium to live in a community with interconnected streets and open spaces, walkability, and a mixed-use town center. As with most new urbanist developments, Baldwin Park is upscale, with any planned affordability threatened by the development's desirability. Though Baldwin Park's proximity presents an opportunity, according to PREIT officials, Fashion Square Mall in its current form does not provide all the kinds of shopping opportunities sought by those residents, especially with Winter Park's much-heralded Park Avenue—a mixed-use, pedestrian-oriented shopping street with outdoor cafés—just a short drive away and convenience retail available in Baldwin Park's own town center.

As is the case with most mall properties, another challenge involves a complex parcel ownership pattern. While PREIT controls the largest part of the Fashion Square property, it does not control the western parcels, including a portion of the interior mall and a portion occupied by an anchor tenant, Sears. PREIT asked WRT to propose new development only on existing PREIT-controlled property, with the caveat that any design proposal should allow for future development options. PREIT also requested that the existing mall structure be left predominantly unchanged, with only new liner buildings and cosmetic changes permitted.

WRT's strategy focused on creating a new open-space framework to guide the redevelopment's boldest moves. With a pedestrian connection to Baldwin Park already in place, WRT's approach was to enhance that feature, using stormwater management as a place-making device. A series of streets was inserted, enhancing the property's connectivity to adjacent roads and providing additional ceremonial entries into the property.

Using ground-level retail to frame the public spaces and structured parking to free up valuable land, WRT was able to propose an additional 160,000 square feet (15,000 sq m) of retail space and nearly 500 residential units. The strong framework of streets and open spaces allows flexibility in regard to the ultimate program, including opportunities for PREIT to partner with other development entities to implement the project.

Although the proposal is just a concept, PREIT and WRT have already met with local officials in Orlando and are beginning to investigate a path toward its implementation. However, many hurdles remain.

These approaches to suburban redevelopment suggest that the conventional regional mall may play an important role in transforming the automobile-dominated suburbs and their associated development types into walkable neighborhoods. While examples exist of transformation of fallow retail properties into more sustainable forms of development, a lot of uncharted territory remains. As public preference grows for urbanism, and as the country grapples with rising energy costs and the need for better environmental health, a number of development patterns need to be rethought. It is ironic to think that conventional malls—once a symbol of unsustainable development patterns—are now morphing to become a part of the solution. **UL**

SETH A. SHAPIRO is an associate with Wallace Roberts & Todd, LLC in Philadelphia.

The ULI publication *Ten Principles for Rethinking the Mall* is available from the ULI bookstore at www.uli.org/bookstore.

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RETAIL RETREATS

The urban mall

MICHAEL BEYARD

Rebalancing the Retail Ratio

Much of the land zoned for retail should be rezoned based on comprehensive regional retail strategies.

AMERICA'S METROPOLITAN areas are growing rapidly—a trend that will continue whether we like it or not. Demographers project that the United States will reach a population of 400 million people by the 2040s, and most of the 100 million new people will not be living in rural Montana. They will be living where most Americans already live: in the middle of expanding metropolitan areas where there are jobs and opportunities. Driving this trend is the vast appeal of the amenities that metropolitan areas offer.

Maintaining these amenities, especially retail, dining, and entertainment, in the face of rapid growth is not easy because their environment is increasingly critical for their success. Unfortunately, many suburban communities, while oversupplied with stores, are undersupplied with exciting retail environments and convenient places to carry on life's daily activities. Single-use destinations in scattered commercial developments have led to time-consuming trips in monumental traffic jams that are reducing the fabled quality of life in many suburban communities.

Today's consumers are looking for shopping environments and experiences that differ significantly from what they see every day, especially in closer-in and poorer locations. In these places, retail strips and shopping centers are deteriorating not because they are old, but because they have been unable to compete with exciting new town centers, lifestyle centers, and big-box stores that have been built elsewhere. One reason they cannot compete is that it has become easier to build new competing centers in other places than to invest in improvements in existing centers.

Our balkanized suburban communities have created too much retail-zoned land, especially at the exurban fringe where newer suburbs hope to reap the tax benefits from additional retail developments, whether needed or not, while existing centers in older suburban communities are left to deteriorate and fail. Does this cannibalization make sense when today's new suburbs will become tomorrow's old suburbs in a frighteningly short period of time? Is this really a sustainable strategy?

Communities need to begin working together and thinking comprehensively about better and more sustainable uses for the gross oversupply of underused and poorly used retail land, whether at the suburban fringe or along older strips. They also need to become more assertive in updating their planning and zoning regulations to reflect the changing nature of what their residents want currently and what makes sense as the community matures. Just because land presently is zoned for or occupied by retail uses does not justify their continuation.

Much retail-zoned land needs to be reprogrammed, some of it for higher-value, more intensive mixed-use development that makes sense not only from a local perspective but also in regional terms, some of it for nonretail uses that the community lacks, and some of it for no development at all. The places chosen for higher-value mixed uses should support future transit in line with increased density. The places selected for nonretail uses should provide the community with types of development it needs, but currently lacks space for. And the places chosen to remain undeveloped will offer leisure and recreational opportunities. This comprehensive strategy for cutting the amount of retail-zoned land will allow communities to increase tax revenues by adding value to existing underperforming and often deteriorated retail uses, and will locate new centers in line with demand rather than cannibalize their neighbor's tax base.

Cutting the amount of retail-zoned land will provide an economic incentive for the owners of existing retail properties to maintain higher quality and to innovate on site, encourage them to intensify uses, reduce traffic by concentrating commercial activities, and protect surrounding neighborhoods from the encroachment of incompatible uses. It is far better for a community and for private investment to strengthen existing assets by encouraging reinvestment in them than to abandon them and build somewhere else, as has been the trend for the past 50 years. The market already is beginning to rebalance this ratio, and the playing field needs further leveling to encourage this new trend.

Regional planning has been badly handled in this country, and when it comes to retail development, we have not even tried except in a few rare instances such as the effort in Minneapolis–St. Paul, where a program of limited retail tax sharing has been established. The time has come to explore more comprehensive regional retail planning as a way to increase sustainability and fiscal responsibility in our retail investments

MICHAEL BEYARD is ULI/Martin Buckbaum Chair for Retail and Entertainment.

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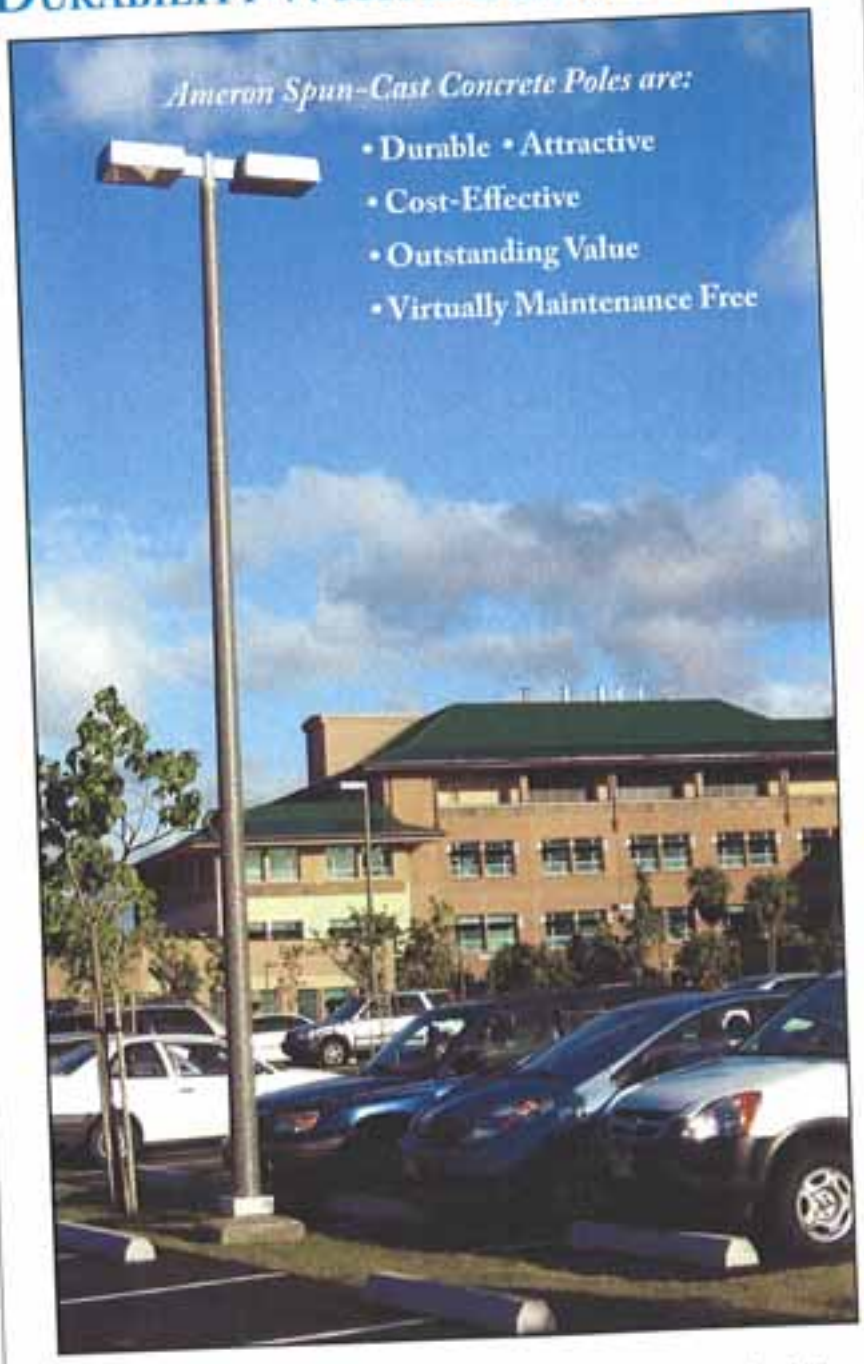

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rather than allow commercial districts and shopping centers to waste away, causing a devastating blow to surrounding neighborhoods.

Gaining support for a new comprehensive approach to retail planning that calls for greater densities in some suburban commercial districts, a reduction in the overall amount of retail-zoned land, and tax sharing will not be easy. The NIMBY contingent will be out in force trying to stop more concentrated growth patterns; property rights advocates will attempt to stop public/private partnerships from assembling and redeveloping underused, obsolete, and deteriorated properties; and some suburban communities at the fringe will undoubtedly balk at cooperating with their neighbors. To counter these forces, we need to build a much stronger constituency in the suburbs by building the case with residents that the livability and sustainability of their communities depend on greater retail density, less retail sprawl, and well-planned retail on a regional level. UL

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ULX

RON NYREN

Greener Retail

Individual retailers and shopping center developers are adapting sustainable design strategies for the retail industry.

RETAIL IS ONE OF THE MOST challenging building types to make truly sustainable. Shopping centers are highly automobile dependent because shoppers would rather not carry onto a bus their new high-definition TVs, exercise bicycles, and fall wardrobes. Retail developers do not always retain ownership of projects long enough to reap the long-term benefits of sustainable strategies—strategies that rely on tenant acceptance in an industry particularly sensitive to short-term financial concerns.

Nevertheless, as more institutional, office, and residential buildings go green, retail is starting to catch up. In many cases, the trail was blazed by retailers whose customer base naturally responds to environmental concerns—sellers of organic food or outdoor recreational equipment, for instance—but now large chains such as Wal-Mart, Target, and Starbucks are making significant strides on sustainability. More developers are finding ways to incorporate green building techniques into large shopping centers. And the U.S. Green Building Council (USGBC) is currently pilot-testing Leadership in Energy and Environmental Design (LEED) standards for new retail construction.

Here, in alphabetical order, are ten noteworthy sustainable retail projects in North America.

RON NYREN is a freelance writer based in the San Francisco Bay area.

DAVID ARGOLLITE PHOTOGRAPHY

1. Abercorn Common, Savannah, Georgia

When a shopping center includes a McDonald's with a Gold LEED Core and Shell (LEED-CS) rating, you know it is not your standard mall. Savannah-based owner/developer Melaver Inc. and Atlanta-based Ozell Stankus Associates Architects completely renovated Abercorn Common last year, enlarging the 1960s center from 90,000 to 169,000 square feet (8,360 to 15,700 sq m). One of the pilot projects for LEED-CS, the project earned a Silver rating overall. A highly reflective white roof, energy-efficient glazing, a tight building envelope, and high-efficiency lighting and heating, ventilating, and air conditioning (HVAC) systems are designed to reduce electricity use by more than 30 percent. A large cistern stores rainwater gathered from the roof for irrigation and other uses. Pervious pavement in parking areas reduces stormwater runoff. Located near three bus lines, the center also offers preferred parking for hybrid vehicle owners and carpoolers. Plaques throughout the center educate shoppers about the sustainable strategies applied.

2. Fairlane Green, Allen Park, Michigan

This 1 million-square-foot (92,900-sq-m) retail and recreational center occupies part of Ford Motor Company's 243-acre (98-ha) former industrial waste landfill, closed and capped in the 1980s. After using $30 million in tax increment financing from the Michigan Department of Environmental Quality to protect the cap, provide utilities, and reduce settlement, Ford sold the first phase of the project to Irving, Texas–based developer Archon Group. This phase, Fairlane Green, a 405,000-square-foot (37,626-sq-m) shopping center designed by Dallas-based architecture firm O'Brien & Associates, received a LEED-CS Gold certification from the USGBC. Opened in 2005, the center devotes two-thirds of the site to undeveloped green space, including a 43-acre (17-ha) park, making it 60 percent less dense than typical retail developments. Stormwater detention ponds provide water for irrigation, while bioswales and wetland-type retention ponds further manage stormwater runoff. Reflective white roofing and high-efficiency HVAC equipment are designed to save energy.

3. Giant Eagle, Brunswick, Ohio

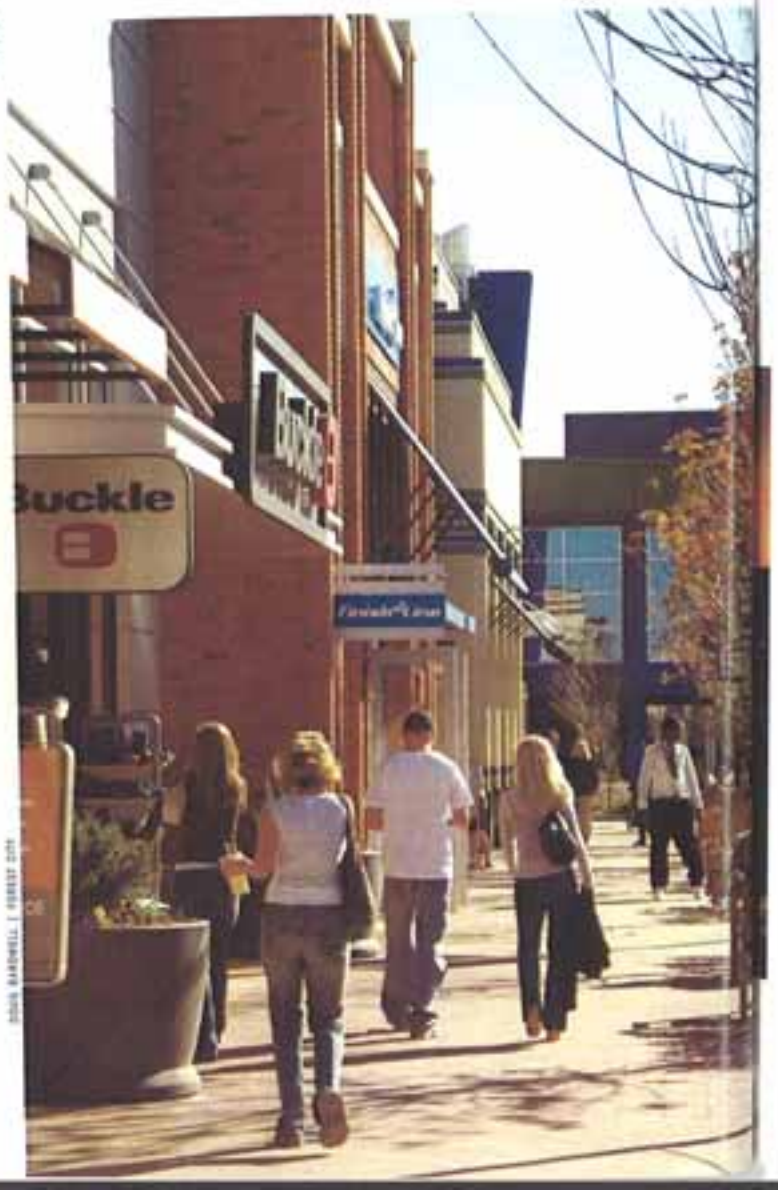
Pittsburgh-based grocery chain Giant Eagle intends to use its LEED-certified Brunswick store, designed by Irvine, California–based MCG Architecture, as a prototype for future LEED-certified stores. Completed in 2004, the 80,000-square-foot (7,432-sq-m) store relies on wind-generated power for much of its electricity. Its 50 skylights are equipped with sensors that dim artificial lights when daylight is plentiful. Resource-conserving measures included the use of wheat and straw boards and other rapidly renewable materials, as well as Forest Stewardship Council–certified wood. The construction process salvaged 75 percent of construction debris. The chain also has received the U.S. Environmental Protection Agency's Partner of the Year Award for the past three years for its commitment to energy efficiency.

4. Mountain Equipment Co-op, Ottawa, Canada

The 23,680-square-foot (2,200-sq-m) Ottawa store of Canada's largest consumer cooperative recycled an existing structure, reusing its steel joists, foundation, and terrazzo floor and adding salvaged timbers. In recognition of the relatively short lifespan of retail facilities, the building, which opened in 2000, is designed with screw connections and panelized materials for easy disassembly at the end of its life. Designed by a joint venture of Ottawa-based Linda Chapman Architect and Christopher Simmonds Architect, the store is the first retail building in Canada to meet the country's C2000 Green Building Standards, with low-toxicity materials and finishes, a large cistern that collects and stores rainwater, a roof monitor and skylights, and a tight building envelope with an unusually high level of insulation.

5. Northfield Stapleton, Denver, Colorado

Part of the larger reuse of a former airport site, the 1.2 million-square-foot (111,484-sq-m) Northfield Stapleton shopping center received a LEED-CS Silver certification from the USGBC for the core and shell, but Cleveland-based developer Forest City also encourages tenants themselves to adopt sustainable strategies, providing a tenant handbook outlining green strategies and offering cash incentives for following them. The project incorporated 120,000 tons (109,000 metric tons) of recycled airport tarmac. It also uses low-toxicity finishes, and for lower energy use relies on an evaporator cooling systems, energy management and monitoring, and reflective roofing. High-tech irrigation systems conserve water, as do waterless urinals and use of stormwater detention ponds to supply the irrigation system. Forest City estimates that two-thirds of the higher upfront construction costs will be paid back in eight to nine years. Denver-based architect of record Mulhern Group, Boston-based Elkus Manfredi Architects, and San Francisco–based Field Paoli contributed to the center, which opened this past October.

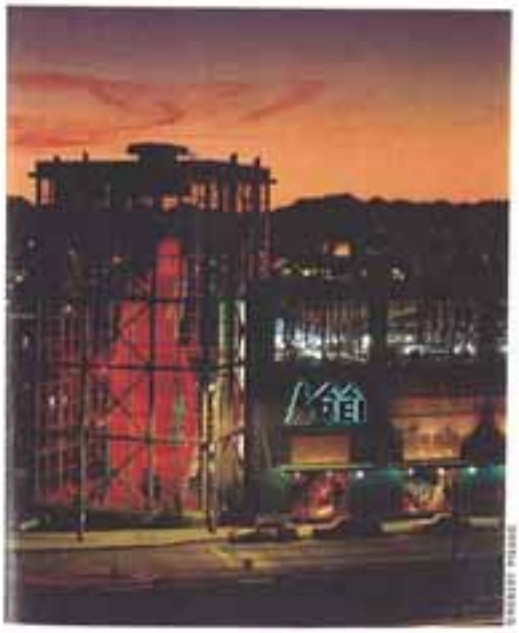


6. PNC Bank (various locations)

Currently, the USGBC requires each building it considers for certification to be registered individually. For retailers who roll out multiple stores each year, the cost and time requirements are often prohibitive. Pittsburgh-based PNC Financial Services Group has been working with San Francisco–based Gensler and Seattle-based green building consultant Paladino & Company to develop a prototype design for bank branches that will simplify certification. Over the past couple of years, the company has had 25 of its branches LEED certified in the U.S. eastern and central regions. Green strategies include prefabricated walls, structural steel, and glazing assemblies designed to speed on-site construction and reduce waste; daylight and occupancy sensors; and low-toxicity materials and finishes. A training program helps ensure that each new contractor integrates sustainable measures as planned.

7. REI Seattle, Seattle, Washington

In seeking to create an environmentally responsible Seattle flagship store, Recreational Equipment Inc. (REI), a consumer cooperative based in Kent, Washington, asked its members to weigh in with ideas. They identified energy efficiency, resource-efficient materials, and recycling of construction waste as their top priorities for the new structure. Designed by Seattle-based Mithun Architects + Designers + Planners and completed in 1996, the 80,000-square-foot (7,430-sq-m) store includes a climbing wall enclosure that relies on computer-controlled louvers and the stack effect for ventilation and temperature control rather than air conditioning. Daylighting, occupancy sensors, high-efficiency lighting, and careful solar orientation also reduce energy use, while engineered wood, minimal internal finishes, waste stone from a nearby quarry, and low-flow fixtures in restrooms are among resource-saving measures. Seventy-six percent of debris from the demolition of existing buildings was recycled, reused, or salvaged.



8. Shops at Tanforan, San Bruno, California

When a 30-year-old shopping mall in San Bruno was purchased by Wattson Breevast LLC of Newport Beach, California, it had many vacant stores and needed substantial renovation. Complicating matters, the three anchors—Sears, JCPenney, and Target—owned their structures and were staying put, which eliminated the possibility of razing the structure. Turning this limitation into a resource-conserving advantage, the owners kept the steel structure of the walls, gutted the interior, replaced the roof, and recycled construction debris. Designed by Altoon + Porter Architects of Los Angeles, the project also incorporated wood from certified forests as well as locally manufactured materials. A high-efficiency HVAC system, an energy management system, and daylighting sensors help lower energy costs, while low-flow plumbing fixtures save water. In addition, the 326,000-square-foot (30,300-sq-m) mall, opened in 2005, is adjacent to bus lines and the San Bruno Bay Area Rapid Transit station.

ULX

9. Whole Foods Market, Sarasota, Florida

Green building strategies make particular sense for a supermarket specializing in natural and organic foods. For Whole Foods Market's 36,000-square-foot (3,345-sq-m) new store in Sarasota, local developer Casto-Zenith Ventures LLC and designer Beame Architectural Partnership of Coral Gables achieved a LEED Silver certification. A water treatment system with an 8,000-gallon (30,300-liter) underground tank collects rainwater from the roof for use in cleaning the store. High-performance insulation, a reflective white roof, and a high-efficiency HVAC system lowered heating and cooling costs. Extensive glazing and use of skylights bring in much more daylight than is typical in grocery stores. A display describing the sustainable strategies used in the project educates shoppers. The store opened in 2004; in 2006, Whole Foods purchased renewable energy credits from wind farms to offset the electricity used in all its facilities throughout North America.

JOHN NEW YORK FOCUS

10. Woburn Plaza, Woburn, Massachusetts

Too often, shopping centers have been dropped into places of great natural beauty with little recognition of their visual and environmental impact. In redesigning the existing Woburn Mall, Cambridge, Massachusetts–based management company Gravestar and New York City–based Croxton Collaborative Architects worked to better integrate the property into its surroundings. The addition of indigenous river birch trees provided flood protection, cooling shade, and a visual buffer that hides the truck loading area. New skylights at the front of each tenant space—customized for the store's solar orientation—bring in natural light, while white roofing reduces heat gain. Replacing oversized signs with smaller ones reduced visual pollution as well, opening up views of the mountain area. The renovation was completed in 2000. **UL**

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HYBRID REDEVELOPMENT

SETH A. SHAPIRO

THE MEDIUM-SIZED REGIONAL SHOPPING MALL IN THE UNITED STATES IS BEING TRANSFORMED INTO A MORE URBAN AND SUSTAINABLE DEVELOPMENT FORM.

The conventional mall—conceived in the 1950s and constructed en masse between 1960 and 1990—is not dying in response to competition from the newer retail malls; instead, it is changing. Orlando Fashion Square Mall, a traditional regional mall located east of downtown Orlando, Florida, and surrounded by acres of surface parking, was once considered the gem of the local retail landscape.

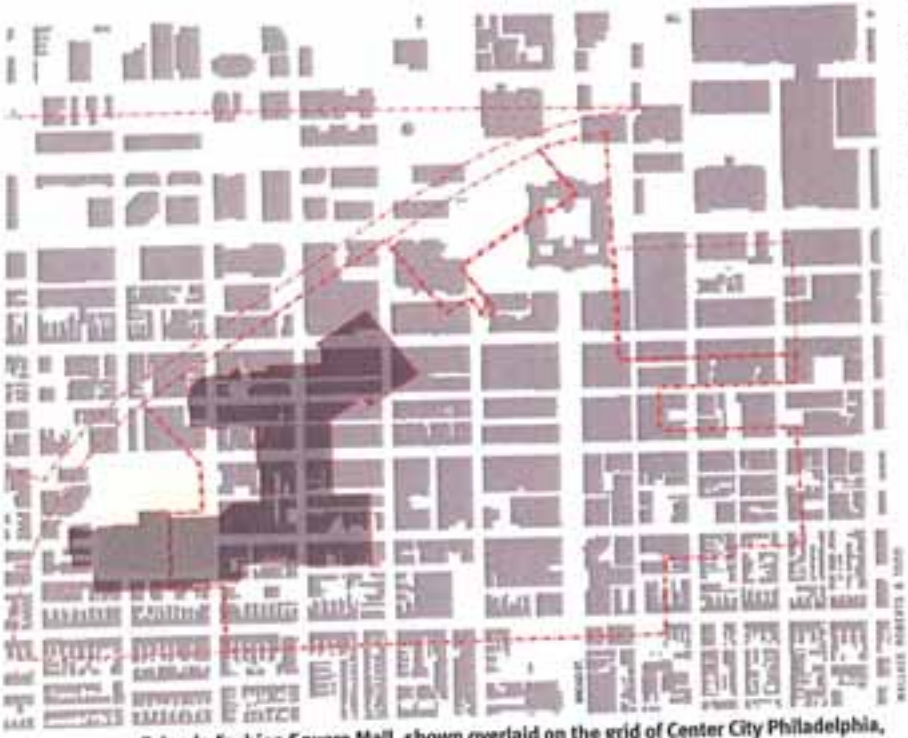
SOCIAL COMMENTATORS, PLANNERS, AND PUNDITS have often proselytized about the demise of America's regional shopping mall. In the late 1980s, the harbinger of death was the invention and propagation of television shopping networks like QVC. Later, it was the Internet, where a revolution in home shopping would negate the need to ever leave the house. Now, the threat emanates from the regional mall's contemporary cousins: mega-malls, power centers, and lifestyle centers.

Yet, the continued prevalence of shopping malls across the country has largely proven these predictions of doom to be dubious. Indeed, while the rate of conventional shopping mall construction has been relatively sluggish in the past decade compared with the previous 20 years, the slowdown probably has more to do with the scarcity of cheap suburban land and the saturation of the mall market than with the preference of American consumers for alternative shopping venues. Shopping malls and suburban retail centers still account for a large percentage of shopping trips and dollars. However, the growth of lifestyle centers—an open-air variation of the mall—their more sterile cousins called power centers, and the new trend of mixed-use town centers makes clear that new kinds of shopping centers are providing competition for the regional mall.

Still, evidence suggests that the conventional mall—conceived in the 1950s and constructed en masse between 1960 and 1990—is not dying in response to

competition from the newer retail models. Instead, it is changing in a way that even the most vocal suburban critics may be able to support.

While rampant suburbanization after World War II and emergence of an automobile-dominated lifestyle gave rise to the regional shopping mall, the rediscovery of urbanism may be spurring a new metamorphosis in the retail landscape. This change, both revolutionary and evolutionary, involves the transformation of the medium-sized regional shopping mall into a more urban and sustainable development form. The revolution appears to be focused on the multitude of medium-sized regional shopping centers built between 1960 and 1990 and having 750,000 to 1.5 million square feet (70,000 to 140,000 sq m) of gross leasable area.



Orlando Fashion Square Mall, shown overlaid on the grid of Center City Philadelphia, encoumpasses a number of city blocks, densonstrating the potential for significant development on the unbuilt portions of the mall property.

Few such conventional shopping malls have been proposed or built during the past five years as most new construction focuses on either power centers or lifestyle centers. Megamalls—such as Pennsylvania's King of Prussia Mall and Minneapolis's Mall of America with its indoor amusement park—also continue to thrive and likely will continue to dominate with their overwhelming size and focus on destination shopping. These hypermalls even cater to tourists and are often surrounded by hotels.

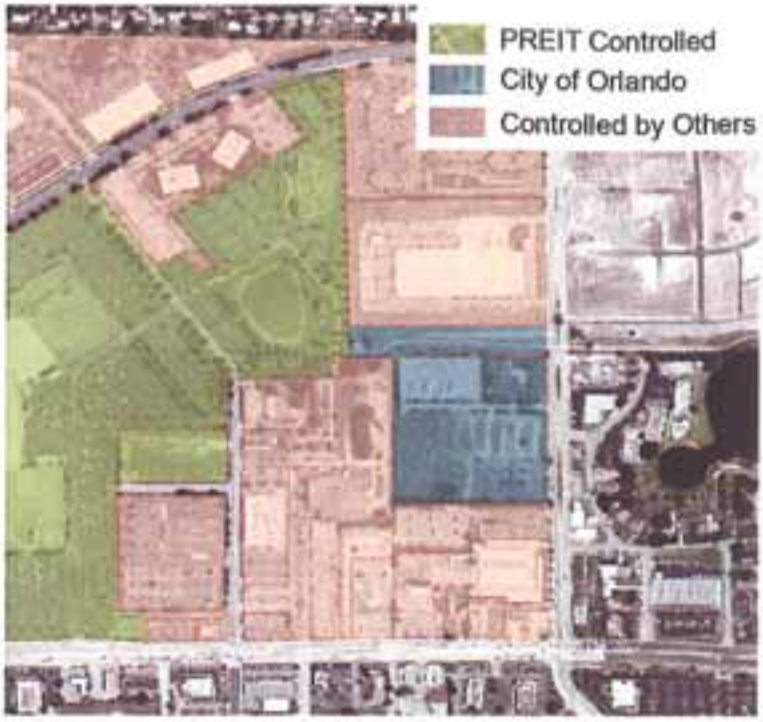
One of the challenges of a mall property is a complex parcel ownership pattern. At Orlando Fashion Square Mall, the property is controlled by the Pennsylvania Real Estate Investment Trust (PREIT), the city of Orlando, and various other parties.

Yet, with calls for sustainable development becoming mainstream, the traditional regional shopping mall is at an important crossroads. For the medium-sized regional mall, recent history suggests several options for the future, some of which, like wholesale clearance and reconstruction, have already been implemented, while other—and arguably the most exciting—approaches are just beginning to be investigated.

Commonly, malls and shopping centers that have failed or closed are known as greyfields in reference to their often drab architecture and the acres of surrounding surface parking. One strategy for these fallow developments is full demolition and then construction on site of lifestyle centers, new residential neighborhoods, or mixed-use town centers. Some of the better-known examples of this approach are in warmer climates, such as Mizner Center in Boca Raton, Florida, which has both residential and office uses, and Winter Park Village in Winter Park, Florida, which remains predominantly a retail development. Another example is the Crossings residential redevelopment, which replaced a moribund shopping center adjacent to a regional commuter rail station in Mountain View, California.

Other proposals for "de-malling" and revitalizing shopping centers include leaving anchor tenants in place and replacing the traditional interior in-line tenant shops with cafés that line new streets and open spaces, thereby turning the mall inside out—and, arguably, into a lifestyle center. This morphology, while attractive in theory, has largely failed to pan out because of complicated parcel ownership and phasing issues that often lead to roadblocks. In the end, many of these proposals have languished, with redevelopment concentrated on adjacent property and the mall either being fully renovated or demolished.

But another strategy that remains largely untapped is based on the premise that a regional mall may not be



obsolete after all. Rather, this strategy sees the mall as an important component of a larger, more sustainable urban framework that can be forged from what was once a suburban pattern. In a sense, this strategy employs the mall as an instrument for urbanization.

Prime candidates for this kind of thinking are the many medium-sized regional shopping malls that have not failed despite increased competition from newer and larger mall models. While these centers still generate revenue for their owners and operators, they are caught in the middle of the changing retail landscape. Such properties can be transformed for a new market—one where consumers are looking for a more exciting and urban shopping experience.

An example is Echelon Mall in Voorhees, New Jersey, one of 39 regional shopping centers owned and operated by the Pennsylvania Real Estate Investment Trust (PREIT), a purchaser of medium-sized regional shopping malls that generate cash flow but have not reached their full potential. PREIT has embarked on an ambitious campaign to remake several of these malls into hybrid centers where at least part of the existing interior mall is maintained or redeveloped and new, mixed-use development is proposed for the surrounding parking areas. Increasingly, as is the case with Echelon Mall, the catalyst for this redevelopment is anchor tenant consolidation.

At its largest, Echelon Mall contained 1.1 million square feet (102,000 sq m) of leasable space, but with the loss of two of its four anchor department stores, the mall was hovering at about 50 percent occupancy. PREIT decided to redevelop the property by demolishing half the mall, concentrating the in-line interior tenants in the remaining portion, and constructing a new boulevard with apartments located above street-level retail space. At buildout, Echelon will be a "right-sized" mall with a main-street retail district, more than 400 residential units for sale or rent, and an upscale grocery store—all on the existing property. Parking will be both on the street and in underground parking decks. Echelon Mall will be the first example of a hybrid redevelopment in the Philadelphia metropolitan area.

Another PREIT property, Orlando Fashion Square Mall, located just east of downtown Orlando, Florida, was once considered the gem of the local retail landscape, but has since experienced heightened competition from newer retail centers throughout the region. Though the mall continues to generate cash flow and see increases in sales per square foot, PREIT has determined that the acres of surface parking surrounding the mall can be redeveloped to support additional uses, including residential and office space and additional lifestyle tenants like restaurants and boutique retailers.

Recognizing that redevelopment of this property would be a unique and complicated task, PREIT hired Wallace Roberts & Todd LLC (WRT) in Philadelphia to formulate a strategy for the PREIT-controlled parcels. With a commitment to environmentally sustainable planning, architecture, and landscape architecture all under one roof, WRT examined how application of these priorities could contribute to a more sustainable development pattern, as well as solve the more specific challenges related to development and phasing.

> The conventional regional mall may play an important role in transforming the **AUTOMOBILE-DOMINATED** suburbs and their associated development types into walkable neighborhoods.

WRT began by conducting a full urban design analysis of the property and the surrounding parcels. Drawing from both recent and historic precedents, the firm presented PREIT with a series of scale comparisons of successful lifestyle centers recently constructed in the region, as well as more traditional retail streets nearby. To heighten understanding of the comparison, the design team also overlaid a plan of the property on the grid of Center City, Philadelphia. The analysis revealed that the potential for redevelopment in the parking areas was large once surface parking was converted into structured spaces, and that usable open space was scarce at Fashion Square, with a single stormwater detention basin serving the entire parcel.

WRT also noted that a new urbanist community, Baldwin Park, was nearing completion less than a quar-

With the addition of residential, office, restaurant, and boutique spaces, as well as open space, a new mixed-use neighborhood can be created within the bounds of the existing parking areas of the mall.

ter mile (0.4 km) from Fashion Square, providing 3,600 residential units on the former Orlando Naval Training Center site at buildout. Many of the families and individuals who have already moved there paid a premium to live in a community with interconnected streets and open spaces, walkability, and a mixed-use town center. As with most new urbanist developments, Baldwin Park is upscale, with any planned affordability threatened by the development's desirability. Though Baldwin Park's proximity presents an opportunity, according to PREIT officials, Fashion Square Mall in its current form does not provide all the kinds of shopping opportunities sought by those residents, especially with Winter Park's much-heralded Park Avenue—a mixed-use, pedestrian-oriented shopping street with outdoor cafés—just a short drive away and convenience retail available in Baldwin Park's own town center.

As is the case with most mall properties, another challenge involves a complex parcel ownership pattern. While PREIT controls the largest part of the Fashion Square property, it does not control the western parcels, including a portion of the interior mall and a portion occupied by an anchor tenant, Sears. PREIT asked WRT to propose new development only on existing PREIT-controlled property, with the caveat that any design proposal should allow for future development options. PREIT also requested that the existing mall structure be left predominantly unchanged, with only new liner buildings and cosmetic changes permitted.

WRT's strategy focused on creating a new open-space framework to guide the redevelopment's boldest moves. With a pedestrian connection to Baldwin Park already in place, WRT's approach was to enhance that feature, using stormwater management as a place-making device. A series of streets was inserted, enhancing the property's connectivity to adjacent roads and providing additional ceremonial entries into the property.

Using ground-level retail to frame the public spaces and structured parking to free up valuable land, WRT was able to propose an additional 160,000 square feet (15,000 sq m) of retail space and nearly 500 residential units. The strong framework of streets and open spaces allows flexibility in regard to the ultimate program, including opportunities for PREIT to partner with other development entities to implement the project.

Although the proposal is just a concept, PREIT and WRT have already met with local officials in Orlando and are beginning to investigate a path toward its implementation. However, many hurdles remain.

These approaches to suburban redevelopment suggest that the conventional regional mall may play an important role in transforming the automobile-dominated suburbs and their associated development types into walkable neighborhoods. While examples exist of transformation of fallow retail properties into more sustainable forms of development, a lot of uncharted territory remains. As public preference grows for urbanism, and as the country grapples with rising energy costs and the need for better environmental health, a number of development patterns need to be rethought. It is ironic to think that conventional malls—once a symbol of unsustainable development patterns—are now morphing to become a part of the solution. **UL**

SETH A. SHAPIRO is an associate with Wallace Roberts & Todd, LLC in Philadelphia.

The ULI publication *Ten Principles for Rethinking the Mall* is available from the ULI bookstore at www.uli.org/bookstore.

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To qualify for the program, a business must:

- Enter into an agreement with a community or technical college, or a state-licensed private career school for customized training and apply for the program through the SBCTC.
- Repay 25% of the total amount of the training allowance to the SBCTC upon completion of the training. The remaining 75% must be paid over the next 18 months.
- Be a state Business & Occupation (B & O) tax payer.
- Increase jobs in Washington. The number of jobs added by the business must be equal to at least 75% of the number of trainees.

Start Now!

How do I get started?

Contact Us

Cascadia Community College can provide all the information that you need to get started in the program.

Cascadia Community College
18345 Campus Way NE
Bothell, WA 98011

425-352-8862
Fax: 425-352-8177
E-mail: conted@cascadia.ctc.edu

Call 425.352.8862
www.cascadia.ctc.edu

How to Design a *Hot 100* Business

Free Workshop, Thursday, 3:00 – 4:30PM, Mar 8, Apr 5, May 3, or Jun 7

Bellevue Community College North Campus, 10700 Northup Way, Bellevue

What do these high-growth businesses have in common?**

Growth:

Business Services Company
$0 to $10 million - 5 yrs

Contractor
$3.5 million to $10 million - 1 yr

Personal Services Company
$400,000 to 1.4 million – 9 mo

Pharmaceuticals Distributor
$120,000 to $12 million - 4 yrs

Trade Contractor
$20,000 to $300,000/mo - 9 mo

Entertainment Software
$0 to $50 million - 6 years

Awards:

Inc. Magazine – "Inc 500"
Fastest Growing in the US

Business Journal "Hot 100"
Fastest Growing in the State

Ernst and Young
Entrepreneur of the Year
-Regional finalists

Entrepreneur Magazine "Hot 100"
Fastest Growing New Business in US

US Small Business Administration
Small Business of the Year -
District and Regional

** All went through a unique process to help design and build a high-performance or *Hot 100* businesses, and so can you. Businesses using this process averaged 431% growth over 3 years. Also see how to qualify for a technical assistance grant from the Washington Small Business Development Center at Bellevue Community College.

Seating is limited and pre-registration is recommended – call BCC Customer Service at 425.564.2263 or www.gotobcc.com. Questions, contact Corey Hansen at 425.564.2888 or chansen@bcc.ctc.edu

The Eastside Hot 100 program is a public/private partnership co-sponsored by:

EastsideBusiness.com, Viking Bank, Berntson Porter & Co
City of Bellevue, City of Kirkland, Bellevue Community College,
and the Washington Small Business Development Center @BCC.

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People in the News on page 5

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EASTSIDE BUSINESS

WWW.EASTSIDEBUSINESS.COM

DECEMBER 2006 VOLUME 2, NO. 12

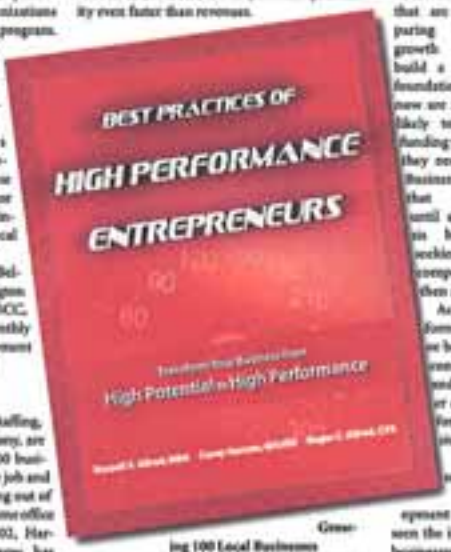
ALL ABOUT BUSINESS ON THE EASTSIDE

The Eastside Hot 100 Pilot Program Accelerates Local Businesses

Businesses face a lot of challenges on the path to fame and fortune, but becoming a high-performance business is a process, not luck. To help local businesses accelerate the high-performance process, a group of local organizations are launching the Eastside Hot 100 program. The program consists of a half-day workshop, Build a Hot 100 Business, at Bellevue Community College, and a recommended one year or more of follow-up assistance.

The goal is to help 100 local owners and managers accelerate the development of their businesses, and increase revenues of the group by $100 million or more, within several years. Experience indicates the process will also increase local jobs and tax revenues.

The sponsors of the program are Bellevue Community College, the Washington Small Business Development Center at BCC, Viking Bank, the Eastside Business monthly and the Offices of Economic Development for the cities of Bellevue and Kirkland.



From Zero to Millions

Donn Harvey, ceo of Protingent Staffing, (formerly Techlink NW) and his company, are an example of what an Eastside Hot 100 business can become. Quitting his corporate job and starting out of his home office in 2002, Harvey now has a staff of 70 with reported revenues of $8.6 million in 2005. Harvey provides engineers for hardware and software product development. Revenue growth for 2006 is expected to be 50% or more.

Donn Harvey

The success of Harvey's company has earned it listings in the prestigious Inc. Magazine "Inc 500," fastest growing private businesses, the Entrepreneur Magazine Hot 100 fastest growing new businesses, and the Puget Sound Business Journal Hot 100 fastest growing private-owned businesses in Washington.

What Really Works

Harvey received help to accelerate development of his business from the Washington Small Business Development Center at Bellevue Community College. Corey Hansen, the center director, had started using a proprietary process to assist high-potential clients. The process is now called the High Performance Entrepreneur Action Plan, and was originally developed by a CPA and marketing expert in Bakersfield, California.

Hansen asserts that "many business owners can build higher-performance businesses; they just need a little help to get there faster." He has used the high-performance system with both new and existing businesses, the majority of which are minority and women-owned businesses. Many achieve annual growth rates of 50% and more. An unprecedented number created multimillion dollar growth, even after the business slowdown after 911.

In 2005, Hansen's clients increased revenues an average of 87% to a total of $42 million, and created or saved 195 jobs. One client outgrew the center's service by growing over $50 million in six years and created 70 new jobs. Another increased revenues 750% to $6.1 million in only 12 months and increased their business valuation from $5 million to $70 million. Many increase profitability even faster than revenues.

Growing 100 Local Businesses

The Eastside Hot 100 organizers are encouraging local businesses to become higher-performance by sponsoring a four-hour intensive workshop, Build a Hot 100 Business. The workshop is offered at Bellevue Community College North Campus and is scheduled December 8th, January 19th, February 16th, and March 16th. The fee for up to three members of the same business is $499 and pre-registration is required.

Corey Hansen

The focus of the pilot program is on businesses with revenues of $150,000 to $10 million. For those that meet the size criteria of the Small Business Administration, one year or more of follow up assistance is available without fee.

Robert Derrick

Bankers Encourage High-Performance

Viking Bank is a sponsor of the Eastside Hot 100 program because it addresses one of the biggest challenges of commercial lending. Bankers can help clients grow with financial services, but small business owners face many other challenges that can't be solved with a loan.

Business development officer for Viking Bank, Tanya Sugarbaker has worked with hundreds of businesses to fund growth. Sugarbaker said, "Businesses that are preparing for growth and build a solid foundation now are more likely to get funding when they need it. Businesses that wait until a crisis before seeking competent assistance pay a heavy price, both then and later."

Tanya Sugarbaker

According to Hansen, becoming high-performance includes having your accountant or banker verify that your internal financial controls and systems are well developed and working properly. "This makes it easier and faster for lenders to make a loan or for investors to make an investment decision."

Small Businesses are a Big Part of Economic Development

Ellen Miller-Wolfe, economic development manager of the City of Kirkland has seen the impact of building higher-performance businesses. Commenting on the Eastside Hot 100 pilot program Miller-Wolfe said, the "ability to take small businesses to the next level is impressive. There is great value for Kirkland businesses who take advantage of the business assessment and follow-up advising sessions the pilot program affords. The program will likely become a staple in Kirkland's economic development toolbox."

Ellen Miller-Wolfe

Robert Derrick, director of the Office of Economic Development of the City of Bellevue noted: "the real drivers of any local economy are the many small businesses in the community. With 80% of economic growth attributable to small business growth, it only makes sense to create programs that help small businesses survive, grow and prosper. It is for these reasons that the Eastside Hot 100 is a key element in Bellevue's economic development programs."

Asked if the program competes with private-sector consultants, Hansen commented "it is just the opposite. This program and others like it encourage and teach business owners how they can best utilize private-sector advisors, such as CPAs and consultants. Part of building a sustainable business is building a team of professional advisors that help accelerate and maximize results."

Best Practices of High Performance Entrepreneurs

The training part of the Eastside Hot 100 program includes a one year subscription to an

SEE "HOT 100" PG 13

SBA Grants Will Fund 19 New Women's Business Centers, Continue Funding for 80 Existing Centers

Women's Centers Will Aid in the Development of Women-owned Businesses

WASHINGTON – The U.S. Small Business Administration recently announced $12 million in grant funding for 19 new Women's Business Centers (WBCs) and 80 existing WBCs, broadening the reach of business training and counseling to assist women to start, grow and expand their small businesses.

The $12 million includes funding for the 19 new WBCs, continued funding for the 29 existing WBCs that are still in their first five years of funding and 51 older WBCs that were awarded sustainability grants. Each WBC is required to match a portion of the federal funds with private contributions.

WBCs are community-based and they are in nearly every state, the District of Columbia, Puerto Rico and American Samoa, serving a wide variety of economic environments including urban, suburban and rural. Each WBC tailors its services to meet the needs of the local area, and works to provide women business owners with long-term training, counseling and mentoring, as well as access to all of the SBA's programs and services.

The WBC program, established by Congress in 1988, is administered by the SBA's Office of Women's Business Ownership and promotes the growth of women- owned businesses through business training and technical assistance, and provides access to credit and capital, federal contracts, and international trade opportunities.

The new WBCs are located in the following cities: Wiscasset, Maine; Kenosha, Wis.; Seattle, Wash.; New York, N.Y.; Durant, Okla.; Philadelphia, Pa.; Greensburg, Pa.; Los Angeles, Calif.; Wilmington, Del.; San Antonio, Texas; San Luis Obispo, Calif.; Syracuse, N.Y.; Forest, Miss.; Newark, N.J.; Santa Ana, Calif.; Huntsville, Ala. (serving Northern Alabama counties); Mobile, Ala.; San Bernardino, Calif.; and Albuquerque, N.M.

With the addition of these 19 centers, women entrepreneurs now have 99 WBCs nationwide to

SEE "SBA GRANTS" PG 13

INSIDE EASTSIDE BUSINESS

5 ... People in the News
7 ... Real Estate
8 ... Food & Wine
14 ... Business Directory

KERNEDC

FACT SHEET

"Cherry Tomatoes on Steroids"

An innovative economic gardening strategy aimed at growing micro enterprise businesses in Kern County

- We are requesting your assistance in networking the Kern EDC Small Business Initiative "Cherry Tomatoes on Steroids" to all micro enterprise business owners in your community.
- The goal of this project is to identify 3 to 6 micro enterprise businesses in a community for up to a year of intensive economic development effort, identifying and pursuing opportunities for sustaining, retaining growing and recruiting small businesses in communities.
- Kern EDC's vision for this project is to be a premium provider of multi-faceted business support linkage, to help key micro enterprise businesses grow and create wealth to assist in three key areas; Financial - For Innovation and Expansion, Information - For Decision Making and Planning, and Workforce - For Improving, Sustaining and Growing.
- Targeted businesses in Kern County will meet the following specific criteria: they are an existing small business with 10 or fewer employees; provide benefit to their communities that go beyond the jobs they create; have the potential to add jobs that pay above minimum wage and include benefits; possess creativity and business ingenuity; are willing to actively participate in this process by meeting with a business developer and provide monthly updates for one year.
- A selection committee, created by Kern EDC, using its vast network of contacts, will review applicants for the program. The committee includes representatives from small business, finance, entrepreneurial, educational and workforce interests.
- Complete attached application and forward to Bill Jeffries via the information listed below, or fill out the online application at www.kedc.com in the Small Business section under 'Targeted Industries'.
- Applications for your community **must** be received at the Kern EDC office by the deadline posted on our website or by calling (661) 862-5150.
- Applicants will be contacted by telephone to complete a 15-20 minute phone survey with Bill Jeffries.
- Selection committee will review the applications and survey results.
- All applicants will be contacted by phone or email after the final selections are made.

Please send completed application by email at jeffriesb@kedc.com, fax to 661/ 862-5151 or mail it to:

Kern Economic Development Corporation, 2700 M Street, Suite 200, Bakersfield, CA 93301

PERFORMANCE MEASUREMENT
FOR
ECONOMIC DEVELOPMENT

2000 Economic Report Card

A report on the City of Madison's economic health and vitality

Fall 2000

The **Economic Report Card** is a measurement of Madison's business climate and its business community. This report focuses on the City's private business sector and how the community can nurture business growth in the new economy.

With government employment likely to stagnate or decline, public sector employment is no longer the only significant indicator of Madison's stable economy. In the future, innovative private businesses will be the catalyst that spurs the City's economic prosperity.

The Economic Development Commission believes it is critical that we investigate the business climate and its impact on the growth of traditional and innovative businesses.

Each of the four sections in this report begins with a goal and provides data that reveals to what extent we are achieving that goal. We also provide our perspective on what the data suggests. Finally we recommend actions that will enable Madison to continue to be a place for business to locate and grow.

Wherever possible we use the most current data available at the city level. However, in some instances we use data that is available only at the County or a higher geographical level. Data was obtained from a variety of primary and secondary sources.

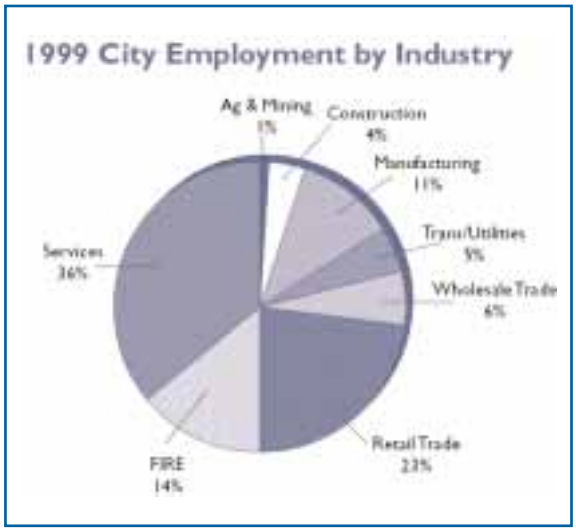
Though this annual report may change as conditions change, major elements and measures will remain consistent from year to year. In future reports, we may add or modify measures when appropriate and include special studies and surveys.

Report Card at a Glance

Economic Indicator	Performance
Business Vitality	**Satisfactory** Page 2
Workforce Quality	**Needs Improvement** Page 5
Business Support	**Lagging** Page 6
Quality of Life	**Needs Improvement** Page 7

Business Vitality

Goal: *The City has a strong, diverse economy with business growth that builds on the area's assets and creates higher value jobs.*

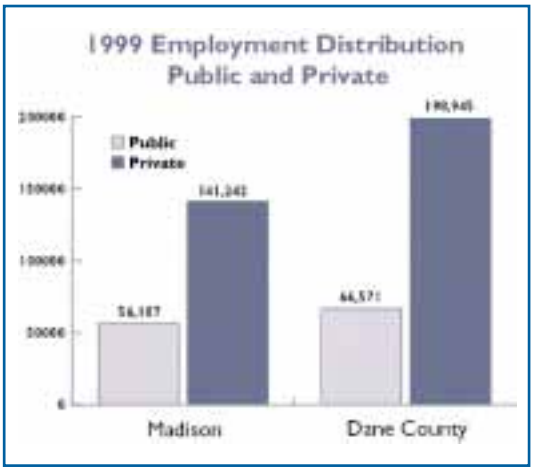


Source: special employment data run

Employment distribution - 1999

- Madison's total employment was 197,349. The public sector employed 56,107, and the private sector employed 141,242.
- 72 percent of the City's total employment was in the private sector.
- The service and retail industries provided almost 60 percent of the city's private sector employment.

The City's employment distribution is balanced and not overly dependent on certain industries.

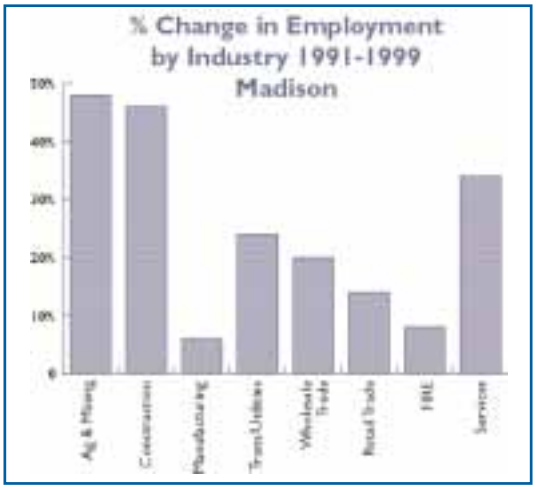


Source: special employment data run

Employment growth 1991-1999

- Although the industries of agriculture, mining and construction had the largest percentage increase in employment, the actual combined gain of 2,288 was quite small compared to the service industry employment growth of 13,258.
- 91 percent of service industry growth was in business services which includes health services, social services, engineering services and computer and data processing services.
- Industrial machinery, plastics products and analytical instruments experienced the largest employment gains in the manufacturing sector.
- Public sector employment increased by 12 percent, while Madison's private sector employment increased by 21 percent.

Wisconsin's targeted industries are growing within the City. Industries that build on the City's assets and competitive advantages continue to grow and create opportunity in the community.

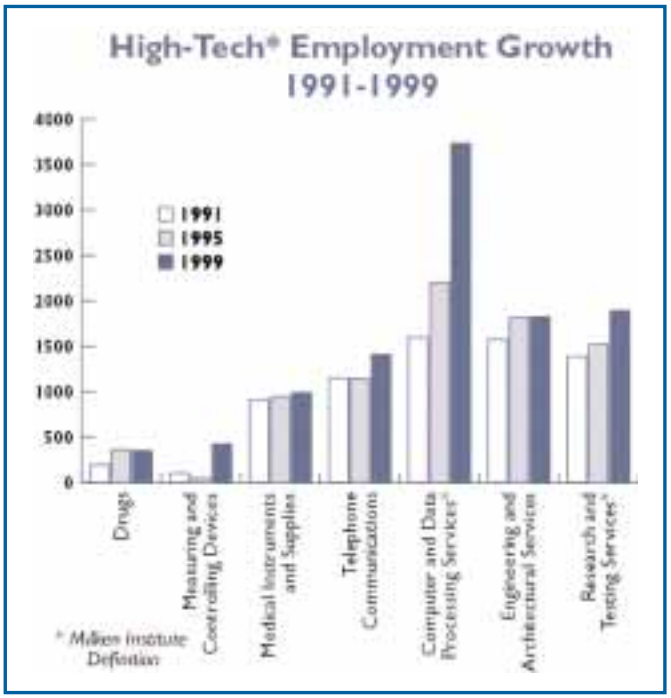


Source: special employment data run

Industries with the Largest Employment Gain 1991-1999

Rank	SIC	Industry	Gain
1	73	Business Services	7,119
2	83	Social Services	2,444
3	80	Health Services	1,428
4	87	Engineering Services	1,117
5	15	General Building Contractors	1,087
6	53	General Merchandise Stores	1,014
7	58	Eating and Drinking Places	881
8	50	Wholesale, Durable Goods	822
9	59	Miscellaneous Retail	801
10	60	Depository Institutions	695

Source: special employment data run



Source: special employment data run

Technological innovation

- The largest gains in high-tech employment occurred in Computer and Data Processing between 1995 and 1999.
- Since 1995, 75 additional high-tech companies operate in Madison.
- In the last ten years, sixty-eight percent of the companies spun-off from the UW-Madison originated in the biological sciences. (1999 UW-Madison UIR study on technology transfer and enterpreneurship)

Innovation is flourishing here. The continued ability of the University of Wisconsin to incubate high-tech industries and find a receptive home in Madison is critical to the City's continued economic health.

High-Tech Companies in Dane County

1995	Number of companies	325
	Number of jobs	15,000
1999	Number of companies	400
	Number of jobs	22,000

Source: Greater Madison Area Directory of High-Tech Companies, 1995 and 2000

Global trade

- U.S. Department of Commerce reports a 64.3 percent increase in export sales for Madison MSA from 1993 to 1998.
- Top export markets in 1998 included Europe, NAFTA partners and Asia.

Export sales activity is one measure of the inflow of capital to a local economy from sales of goods and services geographically outside of the community. It also indicates the extent to which Madison business is a part of the global marketplace.

Wages - 1991-1999

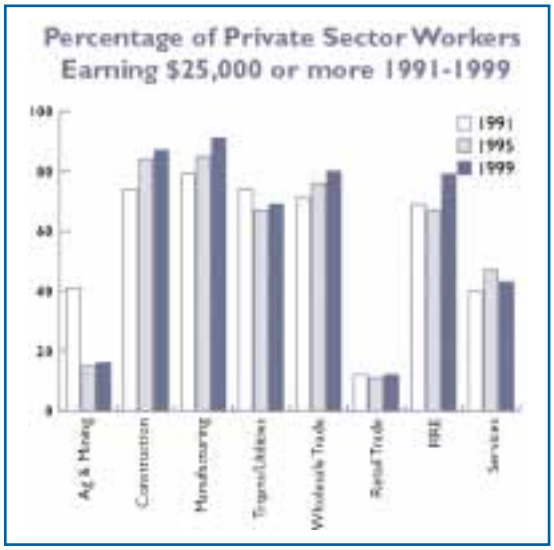
The average wage per worker is a good indicator of the health of our local businesses and the economic well being of our workers.

- Madison workers have higher average earnings than workers in the rest of the county.
- Average earnings in the city overall increased by 11 percent.
- Retail wages grew by 13 percent while manufacturing wages grew by two percent.
- From 1995 to 1999, there was a decrease in service sector workers earning $25,000 or more, and a 15 percent employment increase in that sector.
- Employer offered benefits are another aspect of earnings. Area businesses appear to provide fairly generous benefits.

Average Wage Growth in Madison 1991-1999

Industry	1991	1999	Change	%
Agri & Mining	$21,342	$20,152	-1,190	-6
Construction	33,581	41,199	7,618	23
Manufacturing	37,335	37,934	599	2
Trans/Utilities	36,342	35,636	-705	-2
Wholesale Trade	32,671	38,011	5,340	16
Retail Trade	13,165	14,877	1,711	13
FIRE	30,880	40,569	9,689	31
Services	24,299	25,990	1,691	7

Source: special employment data run



Source: special employment data run

Most Common Benefits Provided by Dane County Employers*

1. Employee health insurance
2. Paid vacation
3. Family health insurance
4. Paid holidays
5. Dental coverage
6. 401(k) or similar plans

**reported by 70% or more of firms surveyed*

Source: Dane County Labor Survey, June 1999

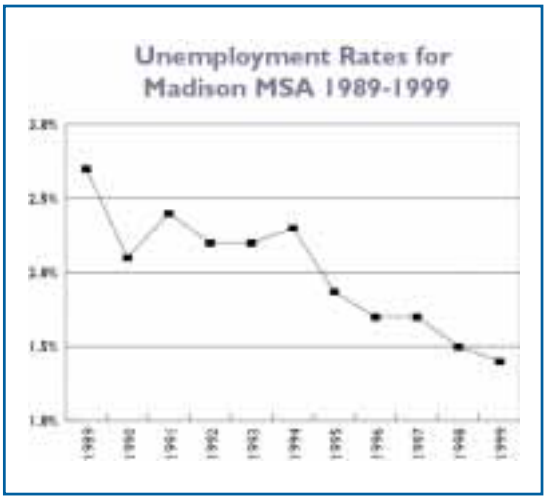
Workforce Quality

Goal: *The community has a diverse, well-trained labor supply that fulfills employer's staffing needs.*

Labor availability

- Madison's current unemployment rate is 1.4 percent.
- U.S. Census data indicates Madison based businesses draw workers from a wide region. In 1990, 53 percent of Madison workers came from outside of the City.
- In a May 2000 telephone survey conducted by Chamberlain Research Consultants, 29 percent of 100 area business leaders said the low unemployment rate was the most difficult part of doing business in Madison.

We can expect Madison's low unemployment rate to continue for at least the next decade. Worker availability to fill vacancies and new positions is central to business' success. Visits to businesses indicate a number of businesses especially in the high-tech industries have some difficulty finding skilled workers.

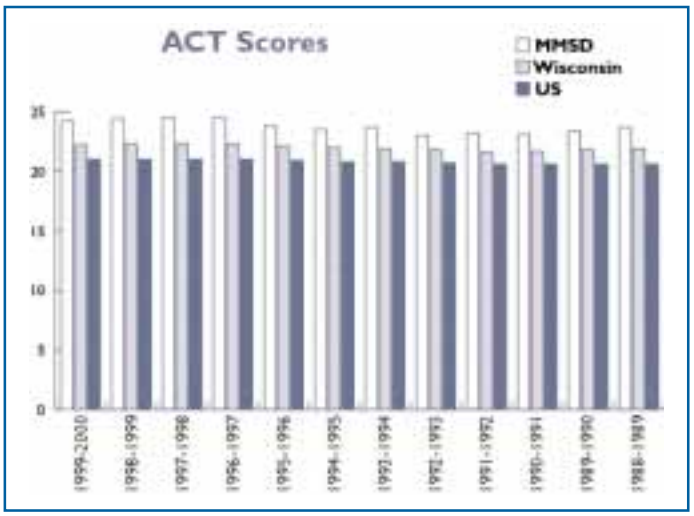


Source: Department of Workforce Development

Education Levels in Dane County

Education	% of Dane County	US Average
Post graduate	14%	8%
College graduate	22%	15%
Some college	31%	29%
High school or less	33%	40%

Source: Survey of Buying Power, 1998, in report by MNI, Inc. to Madison Chamber of Commerce



Source: Madison Metropolitan School District

Labor preparedness

- The Madison public high school graduation rate averages 85 percent over the past five years.
- ACT scores show graduates from local high schools are prepared to enter the workforce.
- Enrollment at MATC has increased at a steady rate with enrollment in the last five years averaging 8,160 full-time students.
- The UW reports an average of 26,700 undergraduate students and 9,600 graduate students over the past five years.
- The overall level of education in Dane County is higher than that of the U.S.

Essential to business attraction, retention and growth in Madison is the presence of qualified, well-trained workers. Data reveals a talented, well-educated labor pool. Enrollment in higher education indicates life-long learning by the general population.

Business Support

Goal: *Madison has the infrastructure to support business growth and expansion.*

Sites

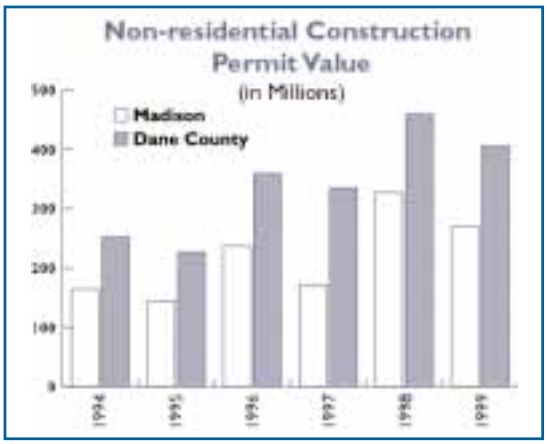
- Approximately 650 acres are available in the City for commercial and industrial development.
- From 1994 to 1999, the amount of non-residential construction permit dollars spent in Madison ranged from 50 to 71 percent of the County total.
- There was a slight decline in permit value from 1998 to 1999.

Dane County Business and Commercial Parks

	Number of Parks 1998	Number of Parks 2000	Available Acres* 2000
Madison	5	12	650
Outside Madison	7	24	784

**Total number of acres includes designated open space and other land that can not be developed.*

Source: MG&E Dane County Commercial and Business Park Directory



Source: MG&E Dane County Construction Activity Report

Source: WI Taxpayers Alliance for Competitive Wisconsin, March 2000

Without sites for expansion, businesses may go elsewhere in Dane County or to another region/state. Currently Madison lacks enough land to accommodate some traditional manufacturers and high-tech industries that combine research and development, customer support and production on a single site. The City has acquired 300 acres of land for manufacturing development.

High-speed connections

- Broadband capabilities are available and increasing rapidly in Madison and Dane County.

Broadband Services in Madison Area

Type of Service	# of Providers
ISDN	16
DSL	7
Cable Modem	1
Dial-up	25

Source: Wisconsin State Journal Research

Access to advanced telecommunications is essential to retain and attract business.

Financial resources

- The State of Wisconsin enacts legislation to create Certified Capital Companies for attracting investment from other areas and provided $50 million to the effort.

Venture capital per capita indicates the State's entrepreneurial activity. Investment in Wisconsin is significantly lower than the national average. In the Madison area, more venture capital has become available; however, more is needed.

Quality of Life

Goal: *Madison is an attractive place for businesses and their employees.*

Housing affordability

- The average sale price of a home increased $48,800 dollars ($86,200 to $135,000) between 1991 and 1999.
- The income standard to qualify for homeownership programs, 80 percent of median family income, increased by 50 percent in the same period.

The cost of housing plays an important role in employee attraction and the distance workers choose to live from their place of employment.

Source: South Central Wisconsin Multiple Listing Services Corp.

US Housing and Development

Quality of public schools

- Madison Metropolitan School District ACT scores are consistently higher than the state and U.S. average. (see chart on page 5)

School performance is an indicator employees use to evaluate a community's suitability to locate and raise a family.

Downtown Commercial Permits

	# of permits	Project value
1997	131	$13,038,679
1998	319	$29,123,547
1999	153	$32,444,553

Source: City of Madison Inspection Unit

Downtown vitality

- In 1999 more than $32 million dollars was spent on commercial downtown construction.
- The construction of a new cultural arts district is expected to generate new arts opportunities and increased economic activity in the downtown. Future Report Cards will include this data.

Businesses and employees seek a location rich in cultural events and recreational opportunities. They expect a thriving downtown that offers a variety of entertainment options.

Cost of living

- From 1993 to 1999 the assessed real estate value of an average single-family house increased by 44 percent.
- Taxes on the same property increased by 6.85 percent from 1993 to 1999.
- There was a 2.5 percent decrease in real estate taxes from 1998 to 1999.

Assessment and Taxes
Average Single Family House

	1993	1994	1995	1996	1997	1998	1999
Value	$97,926	$109,686	$120,567	$128,404	$132,366	$135,366	$141,156
City of Madison Real Estate Taxes	$3228	$3488	$3713	$3595	$3537	$3537	$3449

Source: City of Madison Department of Revenue

Conclusion

The economies of Madison and Dane County have a symbiotic relationship – the health of one depends on the health of the other. Although the City itself can take some actions to improve the economic climate, it is essential that the City and County work together on a regional approach to economic development. The mandated Smart Growth planning efforts should be the framework for regional cooperation.

Although our report has focused on the City of Madison, we know that the economy of Madison extends beyond its municipal boundaries. The economies of the City and Dane County are intertwined - the health of one depends on the health of the other. If we are to benefit from the experience of other areas in the country, it is essential that the City, its neighbors and the County work together on a regional approach to economic development. The State-sponsored Smart Growth and Biostar initiatives, in particular, should be used to catalyze a discussion of how to build the framework necessary to achieve effective regional cooperation.

While pursuing a regional approach, the City can also influence the economic climate through its attitude and its programs. We think it's especially important that the City take the following actions:

Recommended actions:

1. **Step up the commitment to helping businesses in growing sectors obtain the information and assistance they need to start, locate and grow in Madison.**

   The new Office of Business Assistance is an opportunity for the City to be more visible to the business community and to work proactively on their concerns. However, if it is to be successful, the City Council and Mayor must maintain support for the office and its staff.

2. **Acquire more land for development of areas reserved for manufacturing and new technology production facilities.**

   The demand for expansion space from existing Madison companies still exceeds the supply. The City is in the best position to acquire more land for development and make it available to companies at a competitive price within the City and in the region. Funds from sales of existing land should be leveraged to purchase additional land for this type of development.

3. **Develop partnerships with the business community, UW-Madison, the County, MATC and the State to address the problems of labor shortages and education and training for knowledge-based jobs.**

   Madison must continue to have an educated and productive workforce. It is critical that the City continue its financial and staffing commitment to initiatives such as *Jobs With a Future* and participate in other workforce development issues.

4. **Find ways to maintain the community's high quality of life without a significant increase in the tax burden.**

   In a knowledge-based economy, a community's quality of life is an important driver of economic growth. Workers seek out communities with affordable housing choices, good schools, cultural and recreational opportunities and a reasonable cost of living. The City needs to continue to explore new and innovative ways to provide services its residents expect at a cost they are willing to pay.

Please address any comments or questions to:
City of Madison
Economic Development Commission
P.O. Box 2985
Madison, WI 53701-2985
e-mail: planning@ci.Madison.wi.us • www.ci.madison.wi.us

SUSTAINABLE SANTA MONICA

Sustainable City Report Card

Second Annual
September 22, 2006

Twelve years ago Santa Monica launched the Sustainable City Plan (SCP), a visionary plan for the community's future. Santa Monica is now an internationally recognized and award winning sustainability leader. This annual Sustainable City Report Card presents a snapshot of Santa Monica's progress toward meeting its aggressive Sustainable City Plan goals.

www.smepd.org

Background

On September 20, 1994 Santa Monica's City Council adopted the city's first Sustainable City Program to ensure that Santa Monica can continue to meet its current environmental, economic and social needs without compromising the ability of future generations to do the same. The program has evolved in the twelve years since its adoption and has been responsible for many positive changes in the community. In 2003 City Council adopted an expanded version of the program called the Sustainable City Plan (SCP), which was developed by a diverse group of community stakeholders and lays out far reaching sustainability goals for the community in eight goal areas **(visit www.smepd.org to view the SCP)**.

Measuring Sustainability

The SCP includes a number of indicators that have been developed to measure progress toward meeting the goals in each area. This indicator data is easily available on the **Sustainable City Progress Report** website at **www.smepd.org/scpr**. The indicator data present a comprehensive picture of our progress toward, and challenges to becoming a sustainable community. The Progress Report website is the definitive resource for community decision makers and residents.

Some of our Sustainability Successes 2006

Resource Conservation: The Community Energy Independence Initiative was adopted to deploy energy efficiency, solar energy and clean distributed generation into the community and create the potential to become a net zero energy community.

Environmental and Public Health: The Watershed Management Plan was adopted. It is a comprehensive 20-year approach to improving water quality in Santa Monica Bay, increasing recreational options and controlling local flooding by enhancing investment in stormwater infrastructure and pollution control.

Transportation: 81% of the municipal fleet was successfully transitioned to alternative fuel and the Big Blue Bus is at almost 50%. Alternative fuels in use in the city include LNG, CNG, biodiesel, hydrogen and hybrid electric vehicles.

Economic Development: The City Council allocated funds for the development of a Sustainable Economic Development Strategy to promote sustainable practices and attract and retain sustainable businesses in the community.

Open Space and Land Use: Virginia Avenue Park re-opened and received a LEED (Leadership in Energy and Environmental Design) Silver certification! It is the very first LEED certified park in the United States.

Housing: The city financed $19million for the production of more than 80 units of affordable housing in 5 projects.

Community Education and Civic Participation: Community engagement and dialogue around the update of the Land Use and Circulation Element, The Village at Civic Center and other major civic projects has been exceptional.

Human Dignity: The Community Development Program provided over $6 million to support local family, disability, employment and homeless services.

Sustainable City Report Card

The Sustainable City Plan sets very aggressive goals for a sustainable city and Santa Monica has received attention and praise for its sustainability efforts. This report card describes how we are doing at meeting our aggressive sustainable city goals and highlights areas of success and challenges that face our community in eight goal areas.

Grading

The primary grade given for each goal area reflects the progress on the part of the community to reach the adopted SCP goals. The grade is based on analysis of indicator data and evaluation of progress toward meeting the targets for each of the goal areas. To better understand this grade, it is important to consider the aggressive vision of sustainability adopted by the community and the extent to which regional conditions and factors are influential. The effort grade for each goal area reflects the level of effort and commitment in the community that is currently focused on achieving the goals.

Report Card

Resource Conservation

	2005	2006
Grade	C	C+
Effort	A	A

If the city as a whole is to meet its aggressive Sustainable City Plan targets, residents and businesses will have to prioritize resource use reduction. Current water use is higher than our aggressive target levels and solid waste generation is beyond the Sustainable City Plan ceiling. However, commitment to water and energy conservation has kept at bay expected increases in resource usage associated with Santa Monica's strong economy and growth in construction activity. Energy conservation measures have been successful and solid waste diversion stayed on track at 67%. Green building blossomed this year with the certification of two new LEED buildings. Five additional LEED buildings are either in design or under construction. The city continues to be a national leader in modeling sustainable practices in its municipal operations, purchasing 100% renewable electricity for its operations and pursuing LEED Existing Building certification for City Hall. The grade improvement reflects the community's collective effort toward green design and construction practices and maintaining stable water and energy use.

Environmental & Public Health

	2005	2006
Grade	B	B-
Effort	A	A

This year saw the completion of the groundbreaking Watershed Management Plan, a comprehensive 20-year approach to improving water quality in the Santa Monica Bay, increasing recreational options and controlling local flooding by significantly enhancing the level of investment in our stormwater infrastructure and our pollution control efforts. The city continued its commitment to protecting the bay and its marine habitat by moving toward prohibiting the use of foam plastic and all non-recyclable plastic take-out food service containers. Increased demand for treated, non-potable water from the SMURRF saved 24 million gallons of drinking water. Proper hazardous waste disposal by residents at the Household Hazardous Waste Center increased. Four thriving farmers' markets, one of which is regularly a zero-waste event, provide access to fresh, locally grown and organic produce. However, the grade for this area has dropped because wastewater generation has increased and the city is far from reaching its targets for reducing beach pollution.

Transportation

	2005	2006
Grade	C-	C
Effort	A	A

Santa Monica has been a leading advocate for regional transportation planning and the Metro Expo Line, which will eventually reach Santa Monica, is now under construction. The city continues to increase Average Vehicle Ridership by encouraging ridesharing among larger employers. Ridership remains strong on the award-winning Big Blue Bus transit system, which is now almost 50% alternatively fueled. However, traffic and congestion remain significant issues in the community and the current network of bicycle lanes and paths are inadequate to meet the city's targets. Converting greater numbers of people to more sustainable modes of transit has had limited success in offsetting the impacts of increased tourism, commuter traffic and construction of parking lots downtown. The grade improvement reflects the city's increasing use of alternative fuels in its fleet, the opening of a hydrogen fueling station, and testing of biodiesel in many of its remaining diesel vehicles.

Economic Development

	2005	2006
Grade	B	B
Effort	C+	B+

Santa Monica's economy remains strong and diverse with growth in the tourism, retail, and information sectors. To build on this success, the City Council funded the creation of a Sustainable Economic Development Strategy to attract and retain businesses that support economic development, social responsibility and environmental stewardship. However, the rising cost of living and an unbalanced ratio of jobs to housing make it difficult for people to live near their workplace, exacerbating local and regional traffic and parking problems. The grade improvement reflects the continued adoption of business greening practices throughout the community and recent efforts to advance sustainable economic development. The city, the Chamber of Commerce, the Convention and Visitors Bureau and Sustainable Works are collaborating on projects to promote sustainable businesses and improve the quality of life for residents and visitors.

Open Space & Land Use

	2005	2006
Grade	B+	A-
Effort	A	A

In the face of increasing real estate prices and construction costs, the maintenance and expansion of the city's open space over the last decade is remarkable. In particular, development of a public beach club at the former Marion Davies Estate at 415 Pacific Coast Highway will provide beachfront open space for public recreation. Virginia Avenue Park re-opened, establishing the first LEED certified park in the United States. Airport Park and Euclid Park construction are proceeding. Santa Monica's urban forest has grown in number and has diversified the average age and species of the trees. Park accessibility continues to be outstanding with almost 90% of residents living within ½ mile of a park or open space. A number of mixed-use development projects that combine housing, office and retail space have been built which can help reduce traffic and parking congestion and encourage walking and transit use. The grade improvement reflects the opening of Virginia Avenue Park and the progress toward the creation of even more open space.

Housing

	2005	2006
Grade	D-	D
Effort	A	A

Since 1999, the affordability of almost half the City's rent controlled housing units has been lost due to vacancy decontrol. This factor, combined with sustained upward pressure on real estate prices, has severely reduced the availability of affordable of housing. However, great strides have still been made. The Housing and Redevelopment Division financed $19 million for the production of more than 80 units of affordable housing in 5 projects in the past year. Half of this housing targets special needs groups. Public involvement in planning of The Village housing development in the Civic Center has been robust. The project will create an additional 160 affordable housing units. The grade improvement reflects these tangible accomplishments in providing affordable housing.

Community Education & Civic Participation

	2005	2006
Grade	B+	A-
Effort	A	A

Santa Monicans are engaged with their community. They participate in community events and neighborhood meetings and have widespread awareness of community issues. Voter participation rates among residents typically exceed LA County, state and federal averages although off-year voter participation continues to be marginal. The grade improvement reflects active community dialogue around the update of the Land Use and Circulation Elements as well as The Village at the Civic Center and other major civic projects. Further, the Cultural Affairs Division has initiated a Cultural and Community Arts Master Plan, which will forge a common vision of the artistic and cultural life of the city.

Human Dignity

	2005	2006
Grade	N/A	B-
Effort	A	A

Santa Monica has historically been very proactive in supporting the ability of its residents to meet their basic needs and live with dignity. The Community Development Grants Program provides over $6 million annually to support local family, disability, employment and homeless services. Generally, Santa Monica residents feel safe in their communities and feel empowered to meet their basic needs. This year's grade reflects the leadership role the city has taken in addressing regional homelessness with the creation of a new position, the Santa Monica Homeless Czar, and the establishment of a Homeless Community Court and other significant regional initiatives. However, public safety in the Pico neighborhood remains a major concern. Much work remains to be done as the city and the community better define the additional initiatives and investments that will positively impact human dignity.

The summaries and grades reflect the specific indicator data for each of the SCP goal areas. We encourage you to look at this data yourself at www.smepd.org/scpr and begin to use the website to help with your decision-making. In order to become a more sustainable community all community members must be educated and empowered to achieve our goals.

If you have questions please contact the city's Environmental Programs Division at 310 458 2213 or email at environment@smgov.net.

For more information please visit www.smepd.org

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Photographs provided by Greg Peterson, David Cowan, NRDC and City Staff

City of Santa Monica

Sustainable City Plan City of Santa Monica www.smepd.org