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Regional Mall Makeovers

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The great wave of regional mall construction occurred more than 20 years ago. That means many formerly dominant properties are desperately in need of new looks and formats, especially as open-air and lifestyle centers grab market share. Here are four examples emblematic of the kind of remodeling work developers are undertaking all across the United States.

321 NORTH

What do you do with an 18-year-old mall that loses two anchors and is surrounded by some of the highest-grossing retail venues in the state of Florida? Adapt or die.

That's precisely what U.S. Capital Holdings Group, a China-based private equity investor, decided to do with the Fashion Mall in Plantation, Fla.

In many ways Fashion Mall was ahead of its time. Fashion Mall, built in 1990, was a mixed-use project long before that trend came in vogue, including office and retail components as well as a Sheraton hotel. It also boasted a Macy's — the second in the entire state of Florida.

But through the years it gained more competition as Fashion Mall itself went without any serious upgrades or expansion.

Then, to make matters worse, Hurricane Wilma came during the deadly 2005 hurricane season causing \$20.6 billion in damages in the United States. In its wake, Macy's and Lord & Taylor both closed at Fashion Mall.

That's when U.S. Capital, which acquired the property in 2004, brought in MBA Development and a new scheme was drawn up. The plan? Demolish the empty anchors, turn sections of the mall inside out and add more office space and 597 residences.

“Objectively, we had to look at how to take the existing elements and complement those uses with new needs,” says Erick Collazzo, director of Boca Raton, Fla. — based MBA Development.

Clinching the plan's success, the city of Plantation jumped on board with both feet.

“The transformation and revitalization of the Fashion Mall property is a key component of the visionary plans for Plantation Midtown,” says Plantation Mayor Rae Carole Armstrong.
— *DB*

Location: Plantation, Fla.

Owner: U.S. Capital Holdings Group

Developer: MBA Development

Size: 525,000 sq. ft. of retail, 300,000 to 400,000 sq. ft. of office, 600 residential units

Project cost: \$350 million

Architects: ADD Inc. and ID & Design

Completion: First new office tower, 2009; second office tower, 2011; retail, 2009 or early 2010; residences, 2011

Leasing agent: Grubb & Ellis

SANTA MONICA PLACE

Finally!

After years of going back to the drawing board again and again to please a demanding group of municipal officials and residents, Macerich Co.'s long-planned redevelopment of its hometown Santa Monica Place is set to move ahead.

Since 2001, Macerich Co., has been working with the city of Santa Monica to have the 560,000-square-foot enclosed mall transformation spur traffic through the Third Street Promenade. The mall, last redeveloped in 1990, anchors the south end of the Third Street Promenade and impedes traffic through to the Civic Center. But one plan after another was rebuffed.

That is, until this past December when Macerich's latest proposal finally got the green light from the city.

At issue was the fact that city officials and residents balked at any expansion that would make the property taller. Not even bringing in renowned architect Frank Gehry — who came up with the first design for the renovation — eased tensions.

Macerich had to sit down with residents concerned about both the environmental impacts and whether it would cut off views of the ocean. Eventually, Macerich was able to convince residents as well as the city council, the architectural review board and the California Coastal Commission to approve the project. In part, Macerich's intent to get the project LEED-certified helped turn the tide.

“The reason we put the time and effort into it is because there are very few opportunities in the United States to redevelop a major retail property in a market like this ... it's Santa Monica,” says Randy Brant, executive vice president of real estate for Macerich. “But if you think you're going to do anything in Santa Monica in such a high-profile location without expecting community scrutiny, you are a fool.”

The current design, which will cost an estimated \$200 million, will split the three-level center into two separate buildings, creating an outdoor walkway with street-facing storefronts. The open-air district will reconnect downtown with the Civic Center.

“The current dynamics of the city now call for a free-flowing connection between the Civic Center and the most popular pedestrian street in America,” says Eduardo Cespedes, senior project designer for Venice, Calif. — based Jerde Partnership.
— *RAD*

Location: Santa Monica, Calif.

Owner: Macerich Co.

Size: 560,000 sq. ft.

Year acquired: 1999

Project cost: estimated \$200 million

Anchor: Macy's

Sales per sq. ft.: more than \$500 prior to letting leases lapse in preparation for the redevelopment.

Completion: Fall 2009

Architect: Jerde Partnership, of Venice, Calif.

SPOTSYLVANIA TOWNE CENTRE

To keep pace with the escalating population and demographics of residents along the I-95 corridor between Washington, D.C., and Richmond, Va., the 27-year-old Spotsylvania Mall is undergoing a \$100 million redevelopment that changes, well, its spots.

As part of the repositioning, Youngstown, Ohio — based Cafaro Co. is redubbing the property as Spotsylvania Towne Centre. The redevelopment includes the overhaul and retenanting of the existing one-million-square-foot enclosed center and the addition of a 200,000-square-foot open-air component. The resulting 1.2-million-square-foot lifestyle center will be anchored by Macy's, Costco, Muvico Cinema and a Barnes & Noble. A Marriott Residence Inn is also planned for the site.

Its developer and owner, Cafaro Co., cited the strategy for undertaking this four-year redevelopment is to provide area residents, many of whom commute to D.C. to work, with the

same quality of retail, dining and entertainment that they are afforded in the nation's capital.

Cafaro's data indicates the population along the 53 miles between D.C. and Frederickburg has doubled and the average annual household income has grown to \$85,000 today from \$40,000 in 1991. It also points out that within a 10-minute drive of Spotsylvania Towne Centre there are more than 30,000 homes either in the permitting stage or under construction with starting prices of \$350,000.

“Until the redevelopment of our shopping center the area has lacked the better quality dining and entertainment ... we will keep [residents] from having to take that hour-plus-long trek to Washington, D.C.,” says Cafaro vice president, Anthony Cafaro Jr. “Because of what we're doing, we've been able to attract 24 new retailers inside the mall as well as outside.”

A refreshed center not only catches the eye of shoppers but also retail real estate brokers. When they see a redeveloped center in a market in which their retail client has an interest, they're more likely to recommend it over another center in the market, says Ed Alexander, principal at Hollis + Miller Architects in Overland Park, Kan. “Whoever has the best-looking facility, traffic flow and tenants is the one the brokers will recommend,” Alexander says.

— *RAD*

Location: Fredericksburg, Va.

Owner: The Cafaro Co.

Size: 1.2 million sq. ft.

Anchors: Macy's, Costco, Barnes & Noble, Muvico Cinema

Sales per sq. ft.: \$500

Project cost: \$100 million

Architect: Cafaro Co.

Completion: Winter 2008

VOORHEES TOWN CENTER

When Pennsylvania REIT (PREIT) acquired the Echelon Mall in Voorhees, N.J., in 2003 it wasn't exactly adding a top property to its portfolio. At the time, the 1.1-million-square-foot center had two dark anchors (JCPenney and Sears) and sat just 75 percent occupied. It was only pulling in about \$200 per square foot in sales — well below the \$500 per square foot that the leading malls in the region take in.

PREIT wanted the property to help round out its stable of south New Jersey malls. (It also owns Cherry Hill Mall and Morristown Mall.) But Echelon was a long way from being a dominant property. Redevelopment was the obvious solution. But how would PREIT go about it? The first plan was to bring in a Wal-Mart to anchor the revitalization. That hit up against some unexpected resistance from residents and PREIT jettisoned the design. But it was

around this time that the concept of mixed-use was starting to catch fire and PREIT decided to give it a go.

“We looked at our three enclosed malls and it wasn't difficult to come to the conclusion that Voorhees was overbuilt and really required some out-of-the-box thinking,” says Joseph Coradino, president, PREIT services. Instead of appending the mall with big-box tenants, PREIT came up with a plan to create a mixed-use town center that would feature 130,000 square feet of street-level retail along a landscaped boulevard leading from the highway to the mall. The boulevard is the center of the new project with ground-floor retail topped by 425 residential units (317 rentals and 108 condos).

And there are plans to introduce office space into the project as well. In addition, while the mall retains two department stores — Boscovs and Macy's — PREIT decided not to try and replace the other two dark pads and will instead demolish and renovate the mall's interior. In addition, the mall will be renamed Voorhees Town Center.

Bill Warwick, principal with BartonPartners, one of the architecture firms working on the project, points to the boulevard as a key reason why the project is moving ahead. The area will be open to both cars and pedestrians, which the designers hope will enliven the strip.

“We think that by creating something at street level — something well-lit, with nightlife — that we will keep this area populated all the time,” Warwick says. To ensure that, PREIT is catering the retail mix at the property to include necessity retail in addition to traditional mall tenants. That way, residents can get everything they need without leaving the site.

— *DB*

Owner: Pennsylvania REIT

Developers: PREIT, Dewey Commercial Investments

Size: 845,000 sq. ft. of retail and 425 residences

Anchors: Boscovs, Macy's

Project cost: \$85 million (for the retail portion)

Architects: Cope Linder (retail), BartonPartners

Completion: Summer 2008

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