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Failing Malls: Getting to the Heart of the Issues

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One task of the Congress for the New Urbanism is to help fix the biggest errors in conventional development. One challenge that cries out for research and creative solutions is dead malls.

It's tough for New Urbanists to find infill sites big enough to incorporate the full range of New Urbanist principles, including design, circulation and mixed use. But the search for sites has yielded a possible treasure trove of redevelopment opportunities: the obsolete shopping centers (which cnu has termed "greyfields"), that mar urban landscapes from coast to coast. Unfortunately these malls pose potential redevelopment problems. For the past year, cnu has been working with retail and development experts to find ways to build New Urbanist neighborhoods on grey-field sites.

Greyfields are generally in center cities or first-ring suburbs. These cities tend to have great transportation connections, and are often in need of new development—perhaps a real downtown, perhaps housing. According to Victor Dover of Dover Kohl Associates, New Urbanist mall reconstruction is a matter of "turning the mall inside out." The goal is to give buildings and storefronts street faces with actual addresses. The mall should connect with its surroundings, rather than isolating itself behind a parking lot. Civic space with public events provides a reason for outsiders to visit the neighborhood, and residences guarantee a twenty-four-hour human presence. The new neighborhood does not have to be dominated by shopping—it doesn't even have to have retail space.

The cnu study focuses on regional malls, defined as having 35 or more stores, generally with more than 400,000 square feet of gross

leasable area—because of their size and sphere of influence. Elected officials, mall owners, retail tenants and developers are painfully aware of the toll that mall failures take on their towns and cities. New Urbanists in particular see the opportunity to redesign and rebuild on these large infill sites as a chance to improve communities with projects that incorporate New Urbanist principles. cnu's task is to find out how these opportunities can be realized.

cnu has completed several steps in its ongoing study. The initial efforts included a 1999 study proposal by cnu members Mark Falcone, Will Fleissig and Todd Zimmerman. Fleissig and Rick Peiser held a studio at the Harvard Graduate School of Design (cnu) to investigate design strategies. cnu also commissioned PricewaterhouseCoopers' Global Real Estate Research Group (pwc) to identify financial and geographic characteristics of troubled malls.

The Harvard studio, held in fall 1999, examined four declining retail properties in California, Colorado and New York, and offered solutions for reinvestment. Notably, the studio's analysis demonstrated that New Urbanist revitalization requires public subsidy, most frequently provided in the form of assistance in purchasing ground leases and upgrading infrastructure.

The PricewaterhouseCoopers study examined a group of 150 malls identified through an initial screening that used sales per square foot as a preliminary indicator of greyfield status. Using a publicly available database, pwc went on to identify and quantify the symptoms associated with mall decline—symptoms that affect between 300 and 600 troubled malls nationwide.



Above: Cinderella City Mall, Englewood, Colo., which has since been partially redeveloped as part of a mixed-use civic, residential and retail center

Below: Crossroads Mall, Boulder, Colo.

Photos courtesy Continuum Partners



Plaza Pasadena, which once won architectural design awards, is being torn down. The mall had closed off a street that comprised a main axis of Pasadena's historic civic center plan and blocked a view of Pasadena's Civic Auditorium, the terminus of an important axis. Photo: Stefanos Polyzoides.



Sketch of Paseo Colorado, which will replace the former mall, showing re-established street connection and view to the Civic Auditorium, the terminus. Graphic: Ehrenkrantz, Eckstut and Kuhn.

Making the Case

The pwc results show that greyfield mall properties have generally suffered from disinvestment and fierce competition from newer, bigger malls nearby. Though the need for infusing these troubled properties with new life is obvious, it is less clear that there is a compelling case for New Urbanist approaches to revitalization. In fact, pwc's findings related to competition and disinvestment could be taken as a call for improved maintenance and modernization, rather than the more fundamental changes required to create true New Urbanist neighborhoods on mall sites.

We believe a New Urbanist approach would result in enduring value for both owners and host communities—in contrast to the largely cosmetic changes that create the now-popular town-center style retail malls. New Urbanist convictions, however, have to withstand the skepticism of many

within the shopping center industry. At a CNU presentation to the International Council of Shopping Center's Research Advisory (ICSC) Task Force in September, 2000, an ICSC member asked how a New Urbanist model would differ from conventional malls in its ability to withstand competition and escape obsolescence. Others asked how a model that requires many years for full development can provide the near-term financial returns that satisfy investors.

New Urbanist research needs to respond convincingly to these and related questions. Like any researchers, we are obliged to consider the complex dynamics that create problems and offer the potential for change, and to subject our findings to professional and scholarly critique. The greyfield mall study is proceeding to do both.

As the study continues, we will be working on parallel tracks. On one, we will advance our

Diagnosing a Greyfield

understanding of the strategies needed to stimulate mall redevelopment generally. For example, there might be legal or financial mechanisms that can speed greyfield conversion. We will pursue this research through further work by PwC, which will conduct a number of detailed case studies of greyfield mall properties to identify the public and private sector actions that are needed as catalysts for change.

At the same time, we will document successful New Urbanist greyfield revitalizations. We will track the status and performance of New Urbanist greyfield redevelopments and will document their design features. We also hope to investigate how these models of re-use stand up over the long term.

The eventual goal of the study is clear: we want to replace greyfield blight with real neighborhoods. We hope to compile enough useful data and expertise so that developers can work with greyfields, with much less risk than currently exists.

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Model of Paseo Colorado
Courtesy Ehrenkranz, Eckstut
and Kuhn

What is mall decline? You know it when you see it. But for would-be mall healers, it helps to know the symptoms of a troubled mall. The CNU/PricewaterhouseCoopers research found that greyfields are distinguished from healthy malls by a myriad of characteristics.

Small size. In general, the factor that best predicts a mall's success is size. The bigger the mall, the more it can pull in shoppers. Among regional malls (those with more 400,000 square feet of gross leasable area), greyfields tend to be smaller than healthy malls. The 150 worst-performing malls average 500,000 s.f., while the best-performing average 900,000 s.f.

Advancing age, disinvestment. There is no correlation between age and sales per square foot. However, continued strong sales require active management and reinvestment. The average worst-performing mall was last renovated in 1991, as compared to 1999 for the best-performing. One reason for this might be ownership; greyfield malls are disproportionately owned by private firms and partnerships, which might have less access to investment capital than publicly traded companies.

Less affluent neighborhoods. Greyfield malls tend to be in neighborhoods where income growth is slower than in the region as a whole.

Stiff competition. On average, a greyfield mall competes with 22 other shopping centers, containing 2.3 million s.f. of space, within five miles.

Middle or low-end stores. Greyfield malls tend to have discount commodity-based department stores or drug stores as anchor tenants, rather than upscale department stores.

Vacancy. Low rents can bring high occupancy, masking a mall's decline. Still, among the greyfield malls studied, occupancies dipped as low as 52 percent, while healthy malls are generally in the low to high 90s.

More information about the study is available on-line at <http://www.cnu.org/malls>.

—Steven Bodzin, Ellen Greenberg