



RCLCO



“Harnessing Momentum” VCU-Driven Retail Intervention Strategy for Richmond

Association of University Real Estate Officers

September 23, 2013

Adam Ducker, Managing Director

WELCOME TO RICHMOND



- Historic capitol of Commonwealth of Virginia
- MSA population of 1.2 million—
 - 3rd largest in Virginia
 - 44th largest MSA in the United States
- Six Fortune 500 companies, but modest economic growth over the last several decades
- Richmond 2015
- Nascent urban renaissance afoot, although disjointed and unevenly spread around the city



VIRGINIA COMMONWEALTH UNIVERSITY (VCU)

- Public research university
- Founded in 1838
- Located in downtown Richmond
- 31,000 students
- 20,000 employees
- Student body growth of 32% since 2000
- Annual budget of \$2.77 billion
- Top Ranking School of the Arts
- \$260M sponsored research funding
- Annual economic impact of \$3.6 billion
- Adjacent to The Fan, one of America's most charming in-town neighborhoods



THE SITUATION



Carytown



Downtown Richmond



Grove and Libbie



Broad Street at VCU

VCU STUDENT HOUSING SINCE 2003

Ackell Residence
 Built 2003
 394 Beds

Ramz on Broad
 Built 2004
 88 Units

Schaefer & Grace
 Built 2014
 156 Units

W. Grace North
 Built 2013
 388 Beds

W. Grace South
 Built 2012
 479 Beds

Pine Courts II & III
 Built 2004 - 2007
 184 Units

Total New Beds/Units
 VCU beds: 2,084
 Private units: 770

Broad & Belvidere
 Built 2003
 410 Beds

Park Plaza
 Built 2005
 92 Units

Cary-Belvidere Apts
 Built 2004
 90 Units

Cary & Belvidere
 Built 2008
 413 Beds

8 ½ Canal Street
 Built 2011
 160 Units



WHERE WE'VE BEEN AND WHERE WE'RE GOING



THEME I: Become a leader among national research universities in providing all students with high-quality learning/living experiences focused on inquiry, discovery, and innovation in a global environment.

Goals

- I.A. Recruit and retain talented and diverse students who will graduate at a higher rate and will contribute to a highly skilled workforce.
- I.D. Recruit and retain faculty, staff, and senior leadership with the skills and talents to increase quality teaching and learning, high-impact research, and diversity at all levels.

THEME IV: Become a national model for community engagement and regional impact.

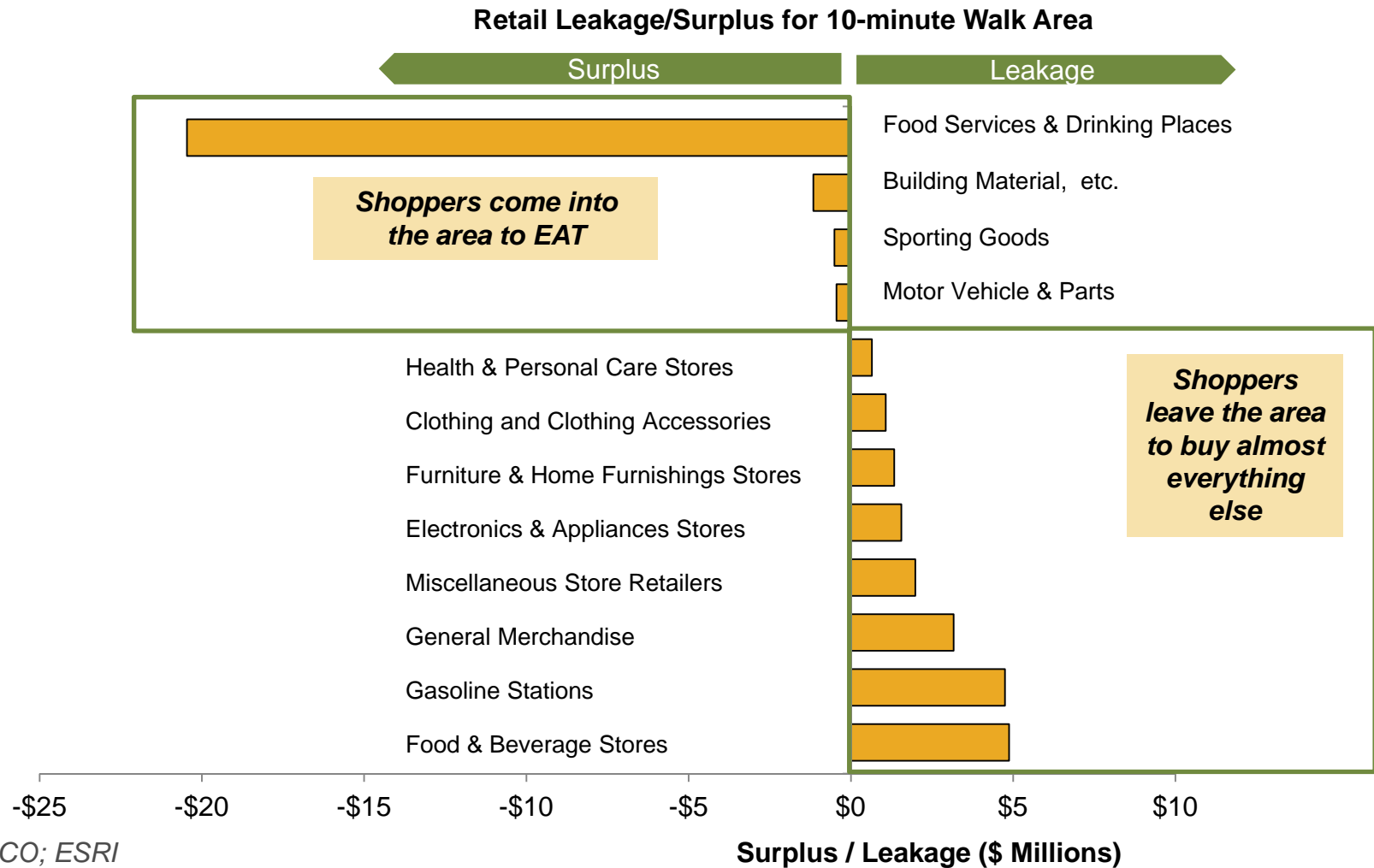
Goals

- IV.A. Expand community-engaged scholarship and service learning.
- IV.B. Create university-community partnerships with a focus on the key targeted areas of K-12 education (with a focus on middle school), access to health and economic development.
- IV.C. Provide strategic leadership in addressing sustainability challenges through curricular and service innovations and green facilities and operations.

- **Demand Forecast:** Measure the retail demand generated by the key market audiences—students, faculty/staff, other employees, nearby residents, regional residents, visitors
- **Tenant Prospects:** Profile the high value tenants one would like to see near VCU and that market conditions would support in this location
- **Identify Barriers:** Isolate the obstacles to successful neighborhood retailing in the past
- **Outline Implementation Strategies:** Model and analyze several approaches or development scenarios
- **Key Success Factors:** Identify the other actions and policies that can increase the opportunities for retail success in the neighborhood

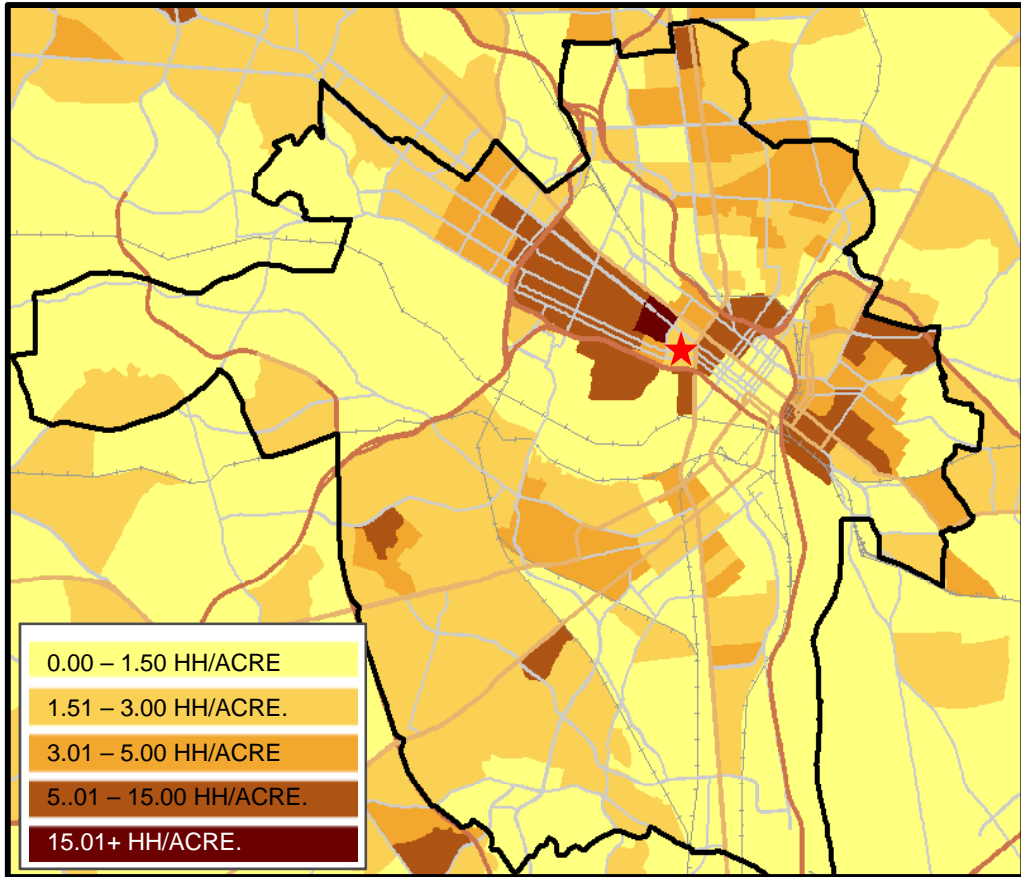
RETAIL ENVIRONMENT

Richmond Retail Environment Is Like Most American Cities: Potential In-Town Spending Leaking to the Suburbs

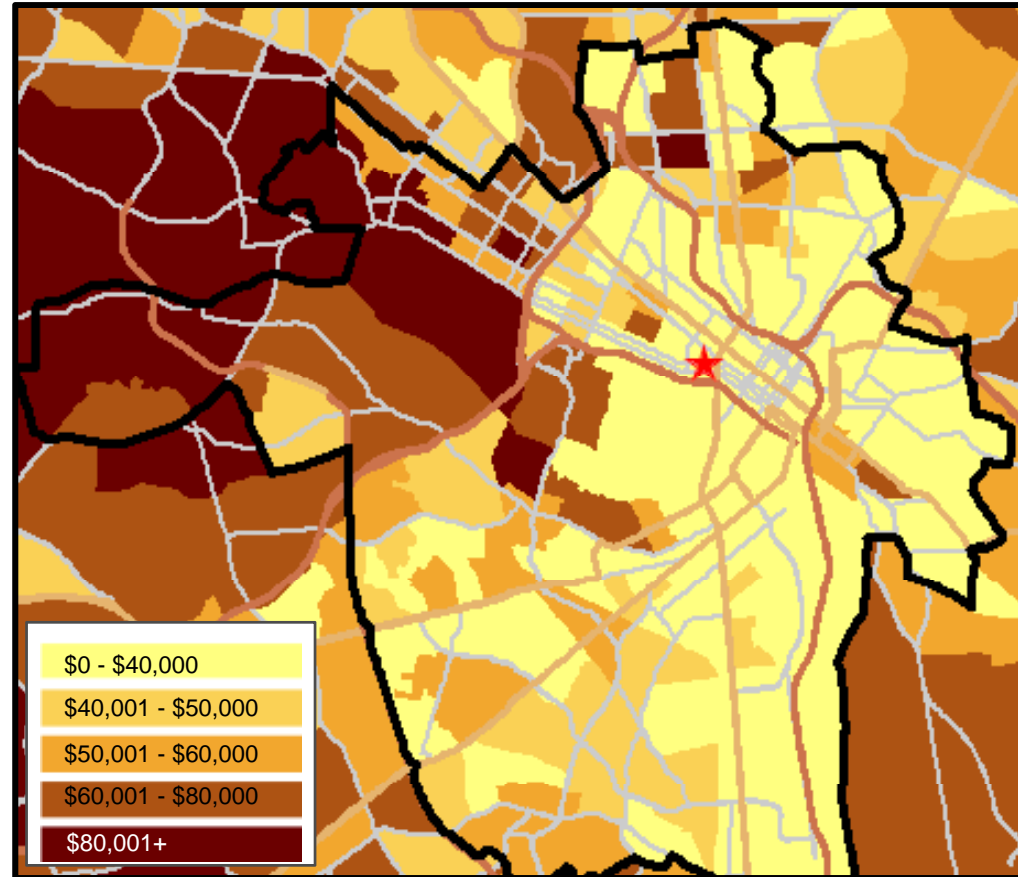


Source: RCLCO; ESRI

Classic Post WW-II U.S. City Demographics: Conventional Retail Analysis Doesn't Get "Spending Density"

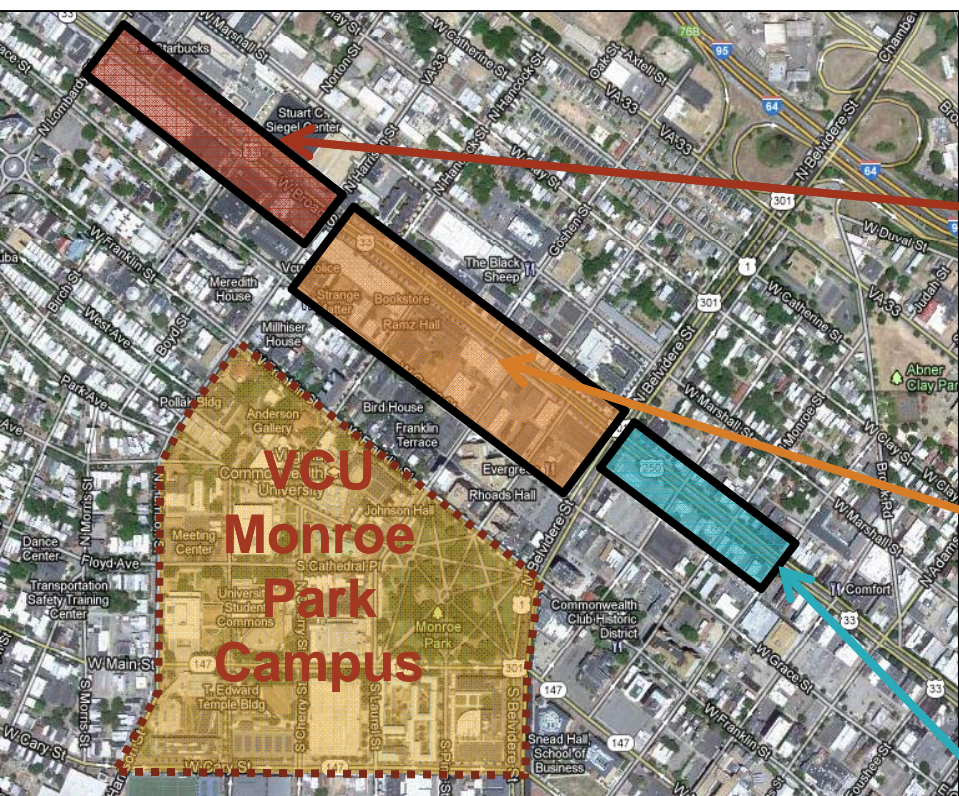


Household Density by Block Group, City of Richmond, 2010. Source: RCLCO; ESRI



Household Income by Block Group, City of Richmond, 2010. Source: RCLCO; ESRI

RETAIL CONCENTRATION AREA

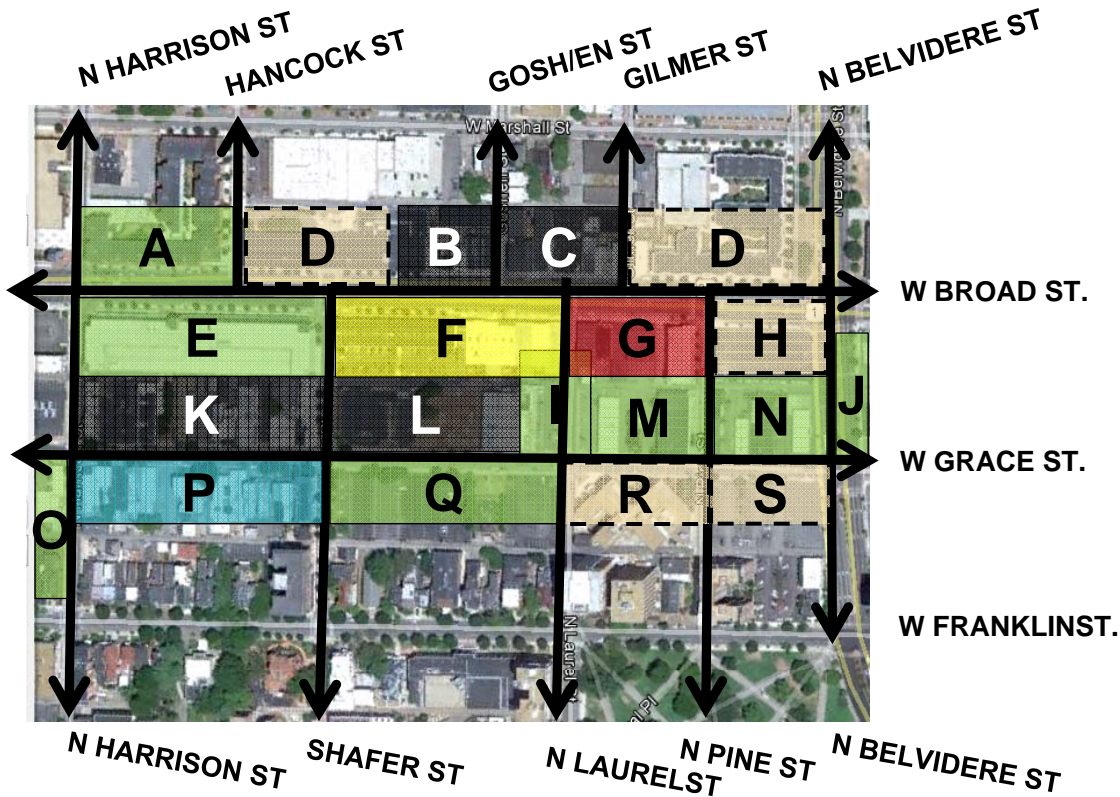


W Broad St b/w N Lombardy and N Harrison St
Major Retailers: Kroger, ABC Liquors, DTLR, Jamaica House, Great Wraps, Starbucks, Game Stop
Character of Retail: National chain strip center lack connectivity to nearby apartments and campus buildings
VCU: Sports Medicine Building, Siegel Center

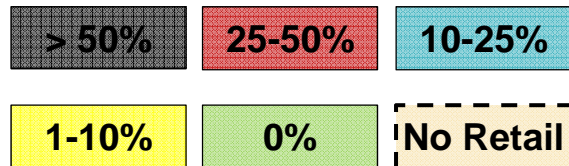
W Broad/Grace St b/w N Harrison and N Belvidere
Major Retailers: Barnes and Noble, Couscous, Five Guys, Panera, Chipotle, Ramz Nails
Character of Retail: Core near campus area offers numerous dining options, but little else
VCU: Ackell Residence Center, Students Apartments, Welcome Center, School of the Arts

W Broad St b/w N Belvidere and Madison St
Major Retailers: BP, Rite Aid, Moore Auto Body, 1708 Gallery, Artisan Alley
Character of Retail: Select appealing store fronts and “artsy feel” offset by perceived safety issues surrounding area
VCU: None

RETAIL CONDITION IN BROAD/GRACE CORRIDOR



Vacancy Rates

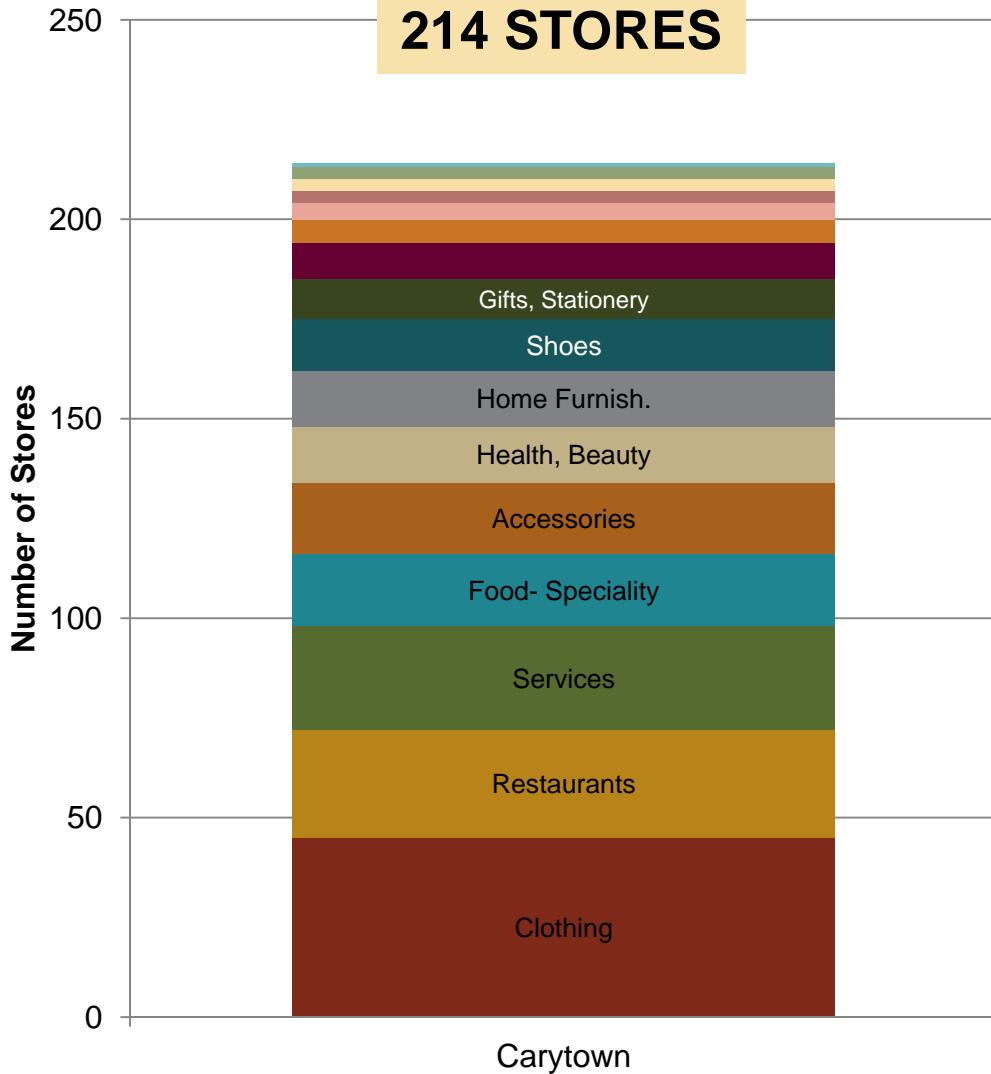


Source: RCLCO

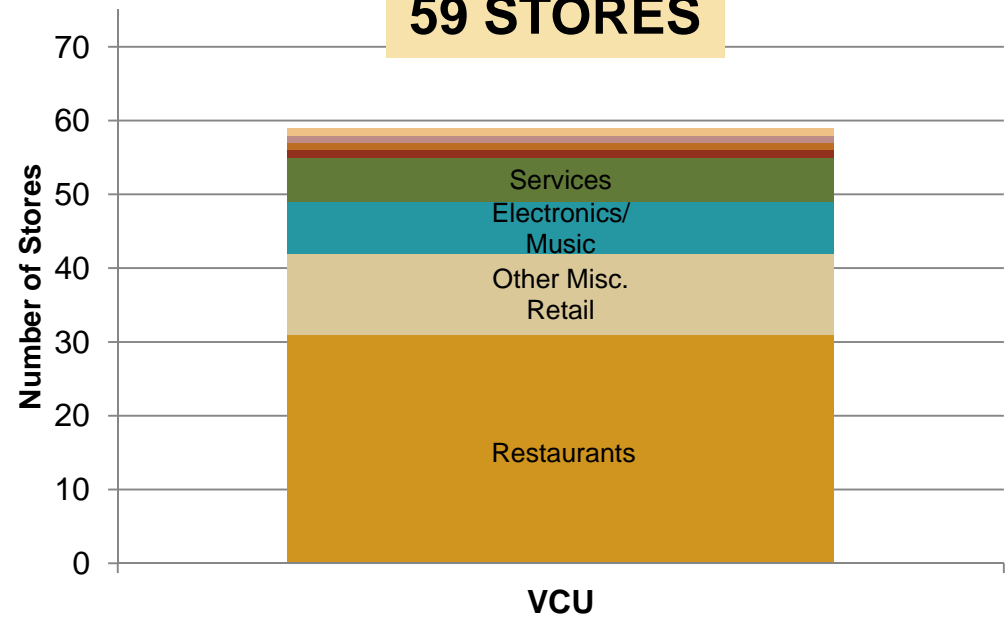
Store Type	#	Total SF	%SF
Dining	31	34,000	33%
Vacant	19	27,700	27%
Books/Music/Electronics	7	26,000	16%
Other Retail	10	8,050	8%
Gas	1	6,000	6%
Service Oriented	6	4,700	5%
Nightlife	1	2,000	2%
Grocery	1	2,000	2%
Art Store	1	1,500	1%
Clothing	1	400	<1%
Total		112,350 SF	

A MATURE RETAIL DISTRICT HAS BOTH CONCENTRATION AND MIX OF RETAILERS

**CARYTOWN
214 STORES**



**VCU
59 STORES**



18 Retailers nearby campus were interviewed on November 30th, 2011

Too dining-centric, no “destination” users

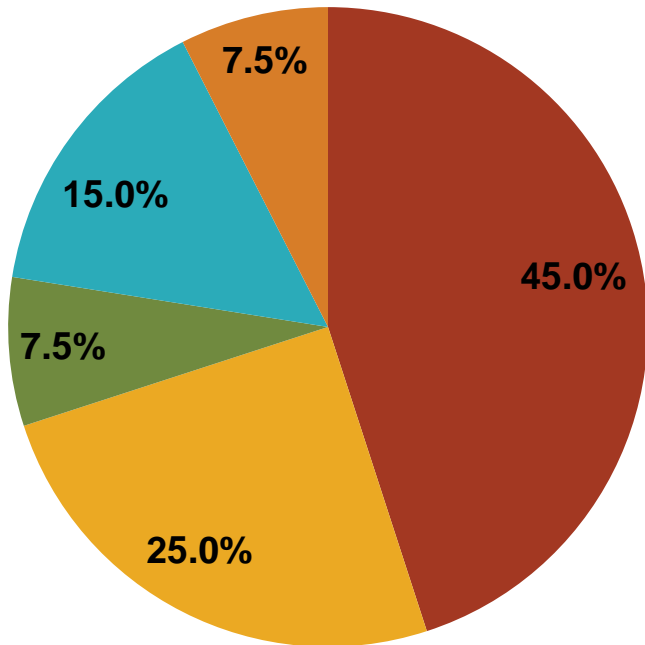
- Most retailers small, “shoe string” operations
- **Too much dining** near campus, not much of anything else
- **No neighborhood pride**
- **Too many “chain”/big box restaurants**
- Business really **depends on VCU’s academic calendar**
- VCU has more parking options than Carytown, but **parking is still a big complaint** for customers
- Clothing stores and other **hard good retailers absent**, especially stores to appeal to the VCU students “edgier/urban” style
- As the #4 ranked School of Arts and Design in the country, the **art students’ unique talents should be used to positively influence the areas surrounding retail**

VCU STUDENT, FACULTY AND EMPLOYEE CAMPUS SURVEY FINDINGS

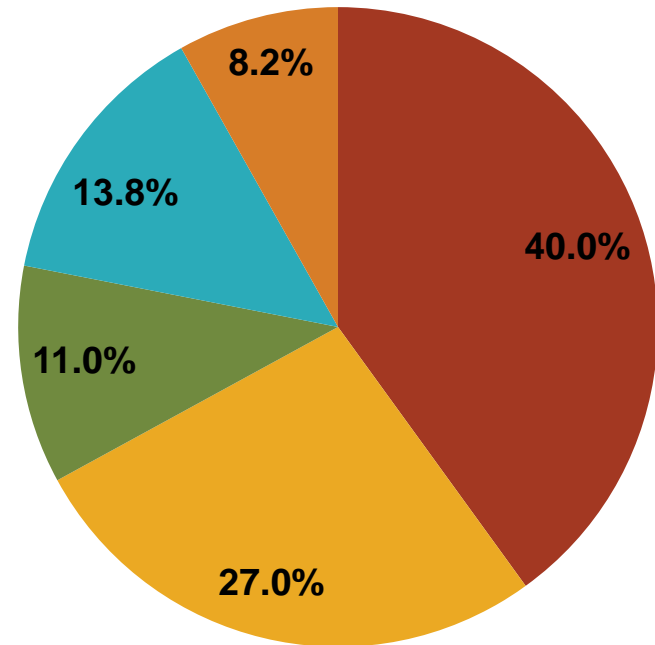
3,178 Persons Surveyed Dec. 9th
2011 – Jan 9th 2012c

- **55% of VCU affiliates do most of their shopping in malls and Richmond suburbs**
- **Just 18% of respondents eat the majority of their meals around VCU's Monroe Park Campus**
- When asked what retail is missing near Monroe Park's campus, **clothing stores** were most often cited (46%), with **movie theaters** (36%) and **grocery stores** (29%) close behind
- **Spending patterns generally consistent with "average" American campus community**

VCU Student Spending Distribution Assumptions

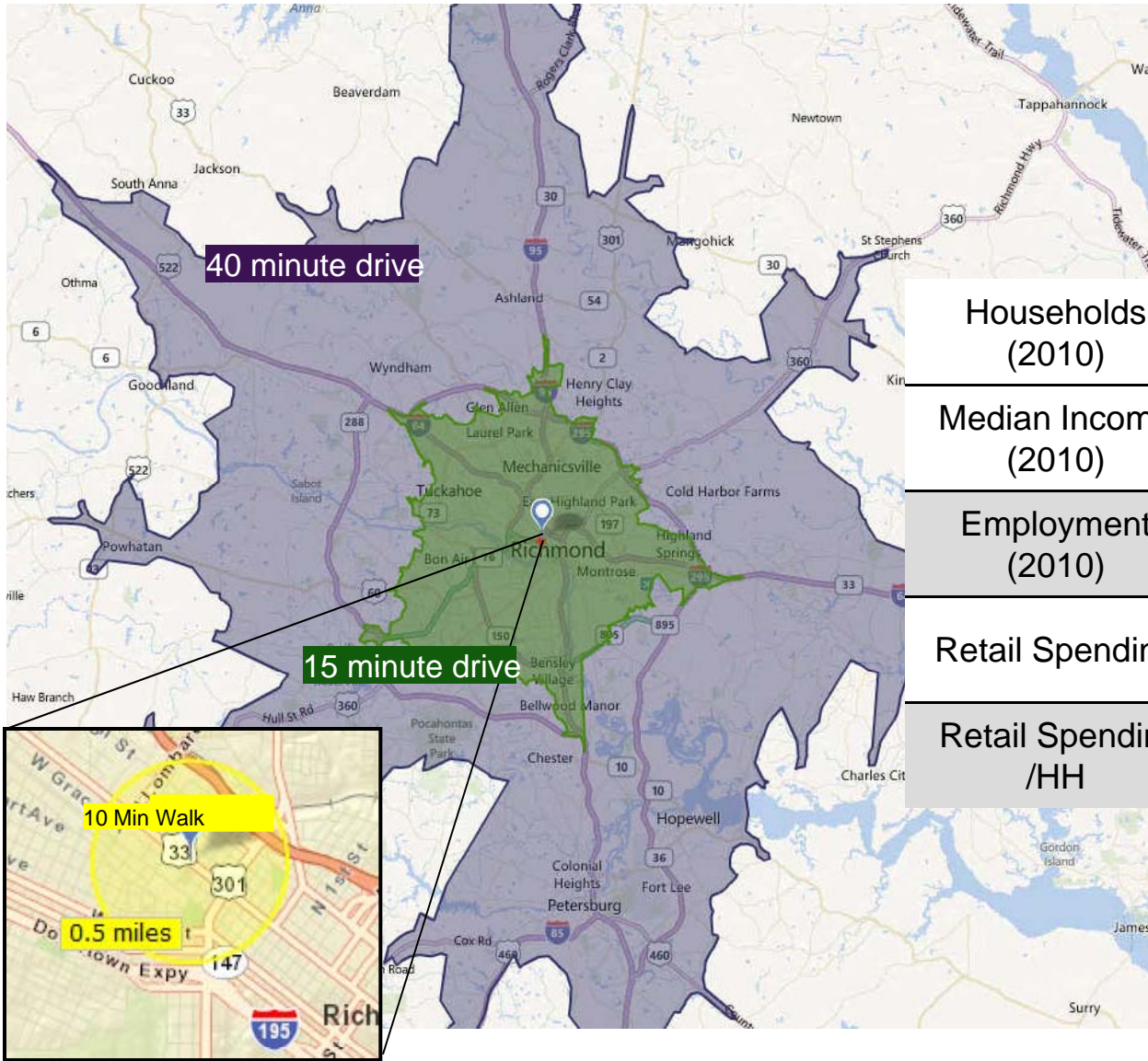


National Spending Distribution - University Students



- Restaurants and Bars
- Grocery
- Personal Care
- Apparel and Accessories
- Other Discretionary

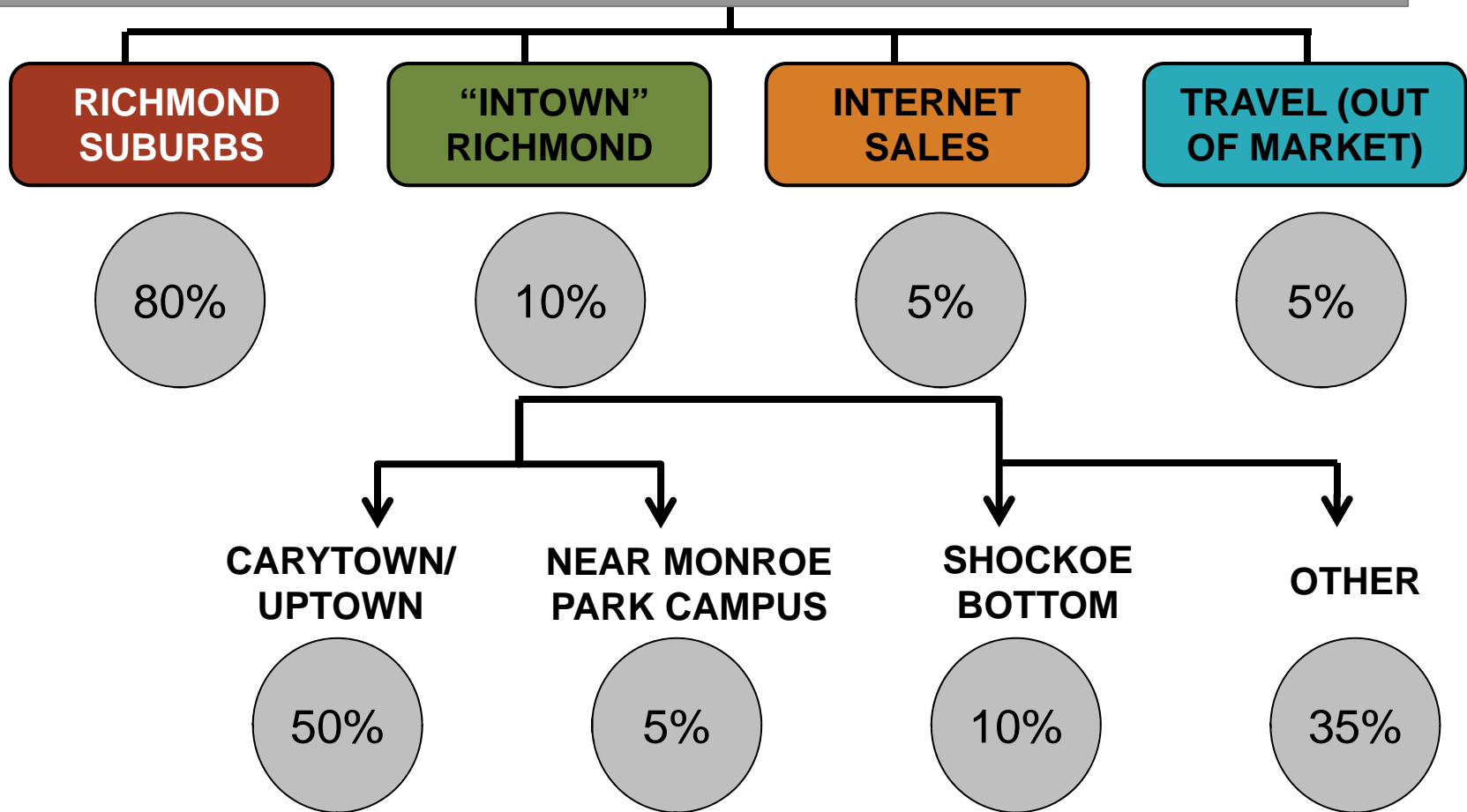
RETAIL TRADE AREAS EVALUATED FOR MONROE PARK CAMPUS NEIGHBORHOOD



	10 Min Walk Time	10 Min Walk – 15 Min Drive	15 – 40 Min Drive Time
Households (2010)	3,903	202,914	211,985
Median Income (2010)	\$23,662	\$53,972	\$70,963
Employment (2010)	6,337	352,138	204,933
Retail Spending	\$59.9 million	\$4.7 billion	\$4.4 billion
Retail Spending /HH	\$15,300	\$23,300	\$30,000

STRATEGY: GROW RETAIL BY CAPTURING MORE REGIONAL ECONOMIC ACTIVITY

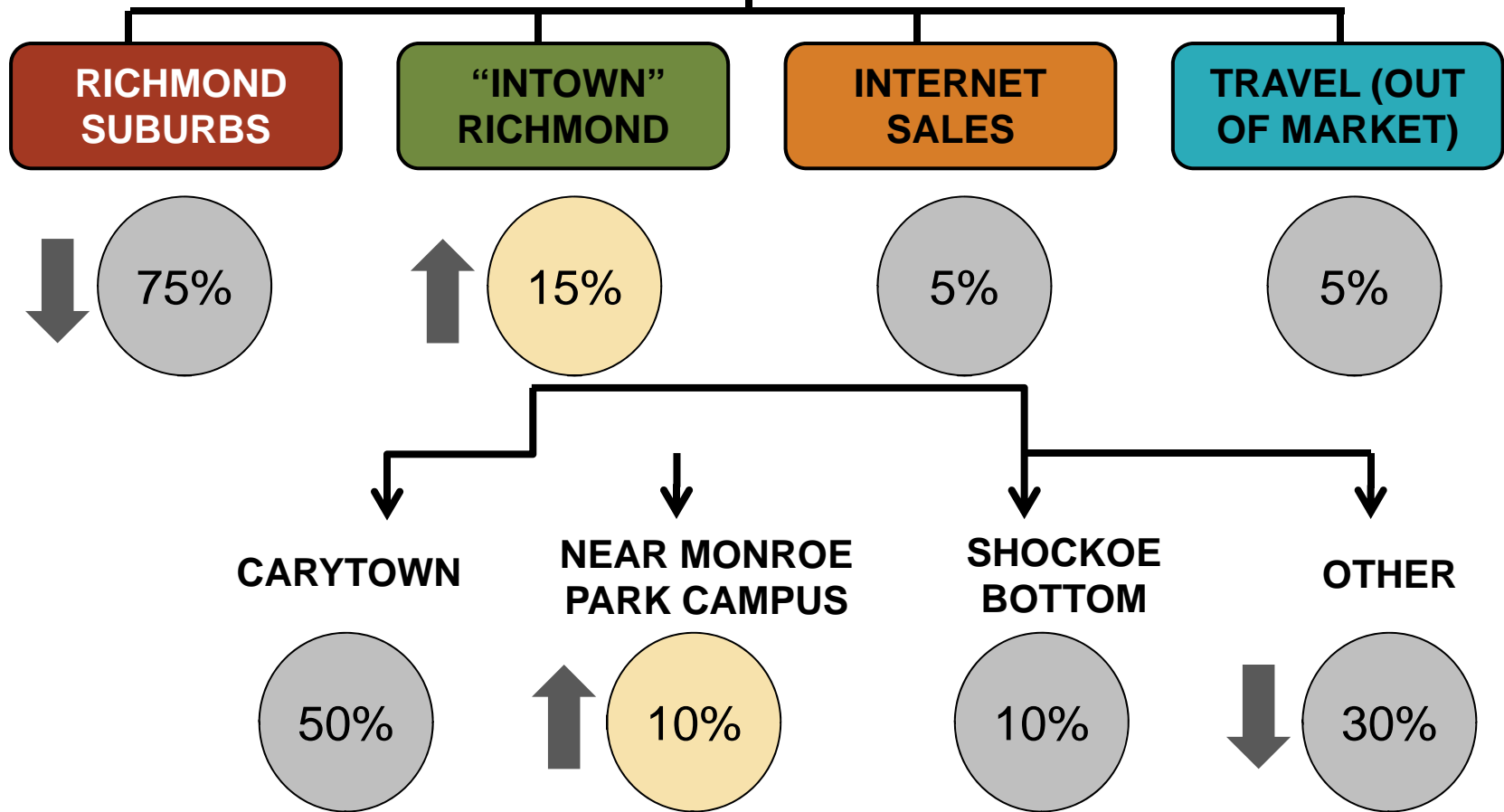
TOTAL SPENDING BY VCU COMMUNITY AND RESIDENTS WITHIN 40-MIN DRIVE TIME OVER \$9.2 BILLION



* Figures are a rough estimate based on knowledge gained through market research as part of our overall study

STRATEGY: GROW RETAIL BY CAPTURING MORE REGIONAL ECONOMIC ACTIVITY

TOTAL SPENDING BY VCU COMMUNITY AND RESIDENTS WITHIN 40-MIN DRIVE TIME OVER \$9.2 BILLION



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RETAIL DEMAND ANALYSIS SUMMARY

Total Potential Neighborhood Spending
Activity from Resident Base:
\$87.9 million

Total Potential Spending from Students,
Employees and Visitors:
\$113.9 million

Total Retail Spending Potential: \$201.8 million

Retail Productivity (Sales/SF): \$200/SF - \$700/SF (~\$420/SF AVG.)

Supportable Retail (SF): ~460,000

Less Existing
Broad/Grace
Street Retail
(~265,000 SF)

Less Existing
Broad/Grace
Street Vacancy
(~45,000 SF)

Minimum
Store Size
Requirements

Retail Mix and
Balance of Store
Types

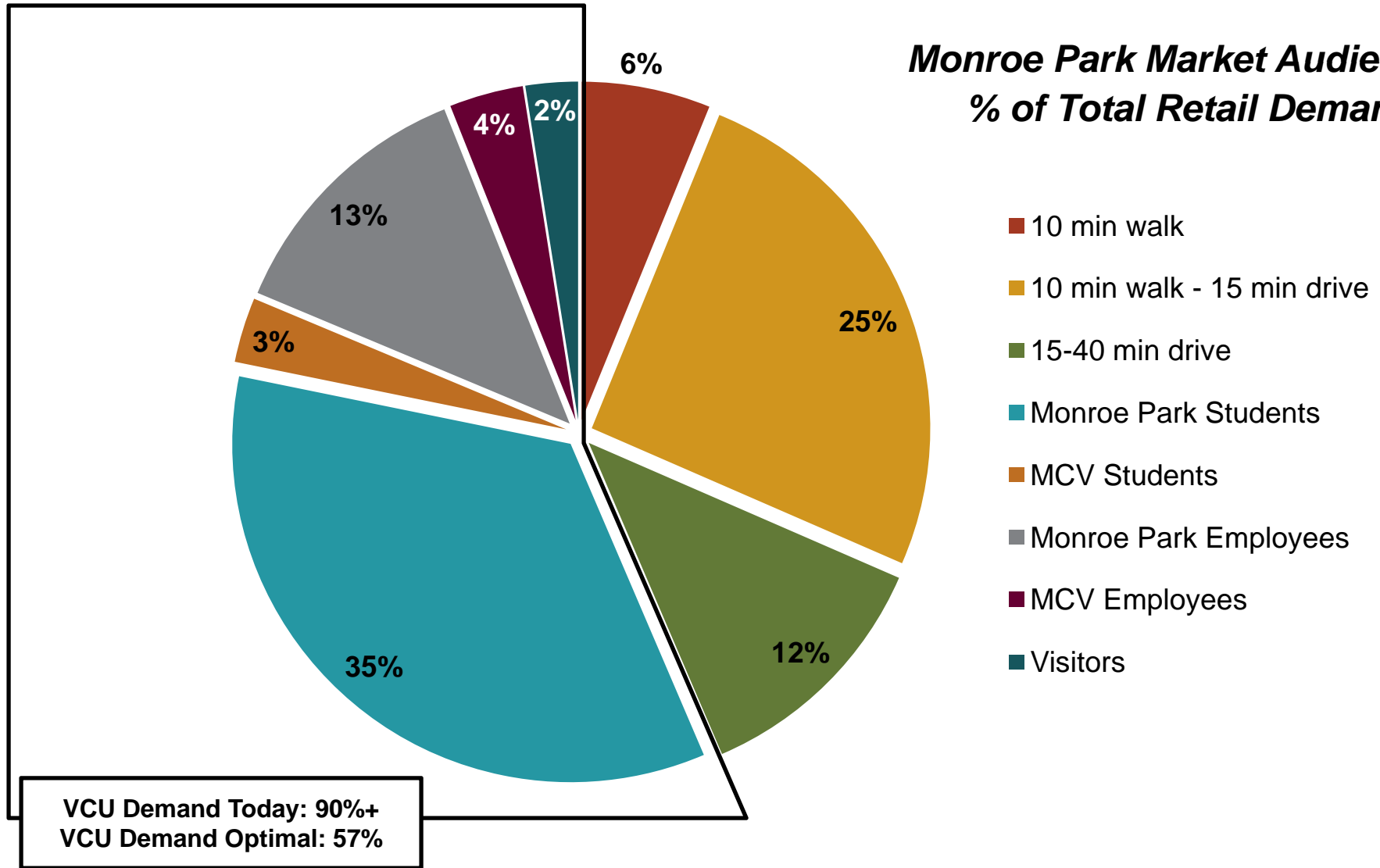
Total Supportable Retail: ~160,000 SF (including anchors)

* Capture Rates vary based on retail

¹ Visitor spending does not include lodging and attraction expenditures

CURRENT AND ANTICIPATED MIX OF DEMAND

Monroe Park Market Audiences, % of Total Retail Demand



SUMMARY OF RECOMMENDED PROGRAM MIX OF SUPPORTABLE RETAIL BY STORE TYPE

RETAILER	DEMAND (SF)	ESTIMATED SIZE (SF)	EXAMPLE RETAILER
Clothing and Accessories Store (10-15 stores)	45,000	500-2,000	Boutique and second hand stores with “edgy” urban feel e.g. Buffalo Exchange, Urban Outfitters, Forever 21, showroom for VCU student designers, shoe stores, accessory stores (Claire’s)
General Merchandising Store	35,000	30,000-60,000	Wal-Mart Express, Urban Target
Grocery Store	25,000	25,000	Small-format grocery store such as Trader Joes, potentially student oriented, or as a component of a large Target/Wal-Mart
Convenience/Pharmacy/Health & Beauty	35,000	2,500-12,000	Walgreens, Rite Aid, CVS, GNC, optician, Sunglass Hut, upscale salons
Full-Service Dining	30,000	2,500-5,000	Olive Garden, Applebee's, Mellow Mushroom, Buffalo Wild Wings, other moderately priced, local, sit-down restaurants with bar
Fast Casual Dining	20,000	1,500-4,000	McDonalds, Taco Bell, Sweet Tomatoes, Jimmy John’s, Chick-fil-A, Pizza, Falafel, etc.
Miscellaneous Retail	5,000	500-2,500	Florist, Office Supplies, Stationary, and Gift Stores, Other Misc. Stores
Beer, Wine and Liquor Store	5,000	500-1,500	Local
Sporting Goods Store	5,000	2500-5,000	Local, Foot Locker, Champs Sports
TOTAL RETAIL DEMAND	~ 205,000		

IF THE OPPORTUNITY IS SO VAST, WHY ARE THE FACTS ON THE GROUND SO POOR

Conventional Broker Driven Approach

Marketing disconnected from ownership

Fixed rent leases

High retailer startup cost/strong risk of failure

Tenant mix contracts to “fuel” providers

Doesn't reverse pattern of “compounding under investment”

Proactive Approach to “Seeding” the Retail

Improved aesthetics/safety

University takes greater control (owns/master leases) of the real estate

Performance based rents allow shared risk

Hand selected tenants help transform neighborhood

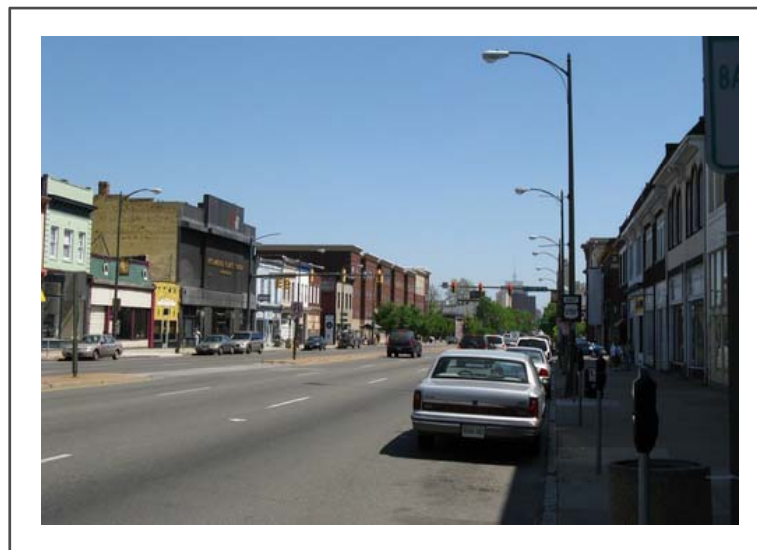
Existing and new retailers organized as BID

EVOLVING BROADER VIEW OF THE REASON TO CARRY THIS EFFORT FORWARD

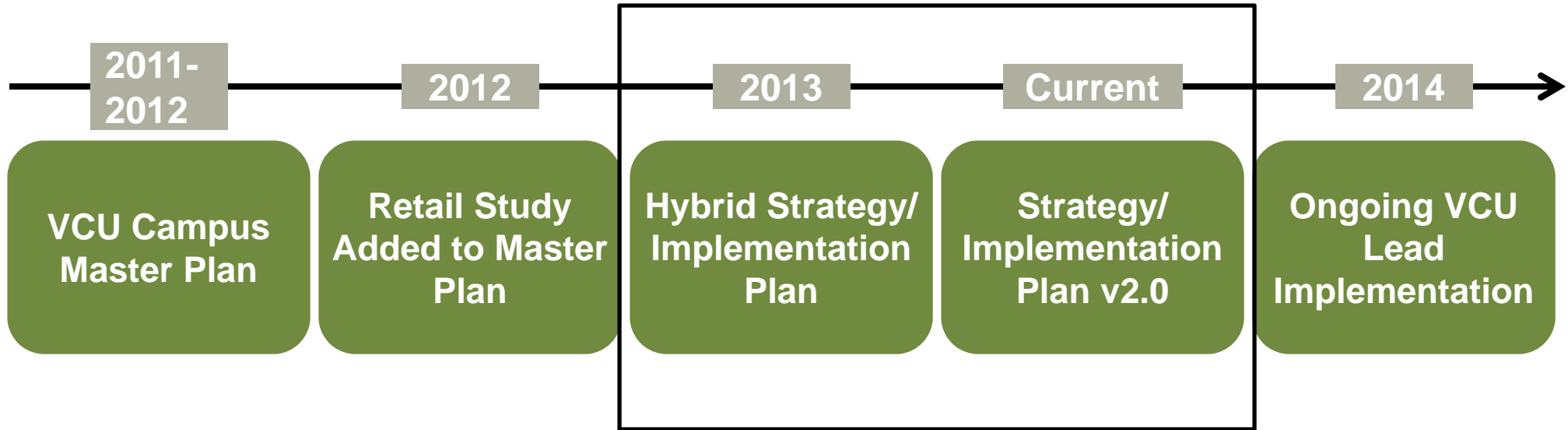
- Desirable retail will engage not only VCU affiliates but residents of **Richmond as well**, improving the relationship between VCU and the broader city
 - *Potential philanthropic benefits*
 - *Favorable regulatory treatment*
 - *Long term partners with a symbiotic relationship*



University of Pennsylvania Walnut Street



VCU W Broad Street



Background:

- Vibrant college town atmosphere desired and attainable
- Nascent economic awakening along Broad Street
- Pioneering entrepreneurial parties not focused on this part of Richmond today
- VCU intensifying activity along Broad and Grace Street
- Emerging collective will to organize economic intervention

Objectives:

- Explore strategies to improve economics/attractiveness of retail near VCU
- Draft implementation plan for retail strategy
- Begin activating key stakeholders/partners in the transformation
- Broaden the effort to include a community outreach strategy

Harnessing Momentum is a partnership between VCU, the City of Richmond, property owners, merchants and residents to embrace the district's full economic potential; accelerating its transformation into a walkable, vibrant energy center merging commerce and the arts. Our vision is a vibrant array of safe and accessible streets that strengthen the connection between the Monroe Park and Medical campuses, with the city the region and the world.

- 1) Implement *streetscape improvements* to make Broad Street more inviting to pedestrians.
- 2) Explore organizing a **Retail Merchants Association** for Broad and Grace Streets.
- 3) Create a **VCU Retail Pitchbook**.
- 4) Build *retail critical mass* along Broad and Grace Streets.
- 5) Rationalize **accessibility, parking, and street safety**.
- 6) Identify the neighborhood with a **branding strategy**.
- 7) Build an **Enduring VCU / Community Partnership** in the Broad and Grace Corridor.

RATIONALE: Implementing streetscape improvements makes the neighborhood a more inviting destination for merchants, visitors, and residents. The improvements show that the city and stakeholders have invested in the neighborhood in tangible ways and are working to create a economically viable destination.

SIGNS OF MOMENTUM:

- Broad Blitz
- mOb Charrette Fall 2013 Studio
- Arts & Cultural District Façade Improvement Program

STRATEGY 1: Implement streetscapes to make Broad Street more inviting to pedestrians

A	Offer no-interest loans for façade improvements to businesses near the Monroe Park campus.	VCU REF
B	Encourage restaurant tenants to implement outdoor sidewalk seating where the sidewalk is sufficiently wide.	Richmond EDC
C	Activate vacant storefronts with art displays, lighting, and other features.	VCU RES
D	Assist City and Venture Richmond with pilot blocks of landscape improvements	Venture Richmond
E	Fund the implementation of Venture Richmond’s existing and highly effective Clean and Safe Program along key public streets around the Monroe Park Campus.	VCU RES
F	Work with VCU student government to focus “Paint the Town Green” on the 800 block of West Broad Street.	DNA/Merchant Association
G	Install “parklets” in strategically located parking spots to ease the urban fabric of Broad.	Richmond Dept of Planning

RATIONALE: A retail merchants association provides a forum in which new and established retailers in the neighborhood can organize to implement neighborhood improvements that will draw more customers from around the Richmond area to the neighborhood.

SIGNS OF MOMENTUM:

- Five merchants meetings held since May
- Discussions about challenges & opportunities, streetscapes, Broad Blitz, Safety, and marketing
- Over 30 retailers from 14 stores have participated, and 15 other stakeholders
- Leadership group and organizational structure beginning to emerge

STRATEGY 2: Explore organizing a Retail Merchants Association for Broad Street

A	Continue monthly merchants meeting (VCU & RCLCO led) until organizational leadership is solidified	DNA/Merchants Association
B	Formalize near term organizational structure for merchants association, likely as a committee within the DNA.	DNA/Merchants Association
C	Attend merchants meetings as a participant to build relationships and deepen neighborhood relations.	VCU RES
D	Make participation in merchants association a mandatory condition for tenants leasing VCU and Real Estate Foundation-owned properties. Consider grants for local merchant to join Richmond tenants association	DNA/Merchants Association

RATIONALE: A retail pitchbook tells the story of retail opportunities within a specific area by highlighting demographics, recent and future development, and the character of the neighborhood. A visually-engaging, sophisticated pitchbook is an essential marketing tool in attracting retailers and presenting an appealing opportunity.

SIGNS OF MOMENTUM:

- Extensive series of realtors/building owner interviews complete; pitchbook concept developed
- mOb faculty kicked off pitchbook design effort in August
- Enthusiasm from community as providing an identity and marketing tool

STRATEGY 3: Create a VCU Retail Pitchbook

A	With VCU Arts, develop a pitchbook to market VCU and Real Estate Foundation retail properties	RCLCO/mOb
B	Utilize pitchbook to educate Richmond retail brokers about opportunities around VCU.	New Broker Rep.
C	Create a user-friendly web page promoting vacant VCU properties, current restaurants and retail, festivals, etc.	VCU RES/mOb

RATIONALE: Broad and Grace Streets are not only at the heart of VCU but also at the heart of Richmond. Pursuing strategic tenants for currently vacant stores will accelerate the re-urbanization of downtown Richmond, creating a desirable community as an amenity for VCU students and faculty and providing economic vitality for Richmond as a city.

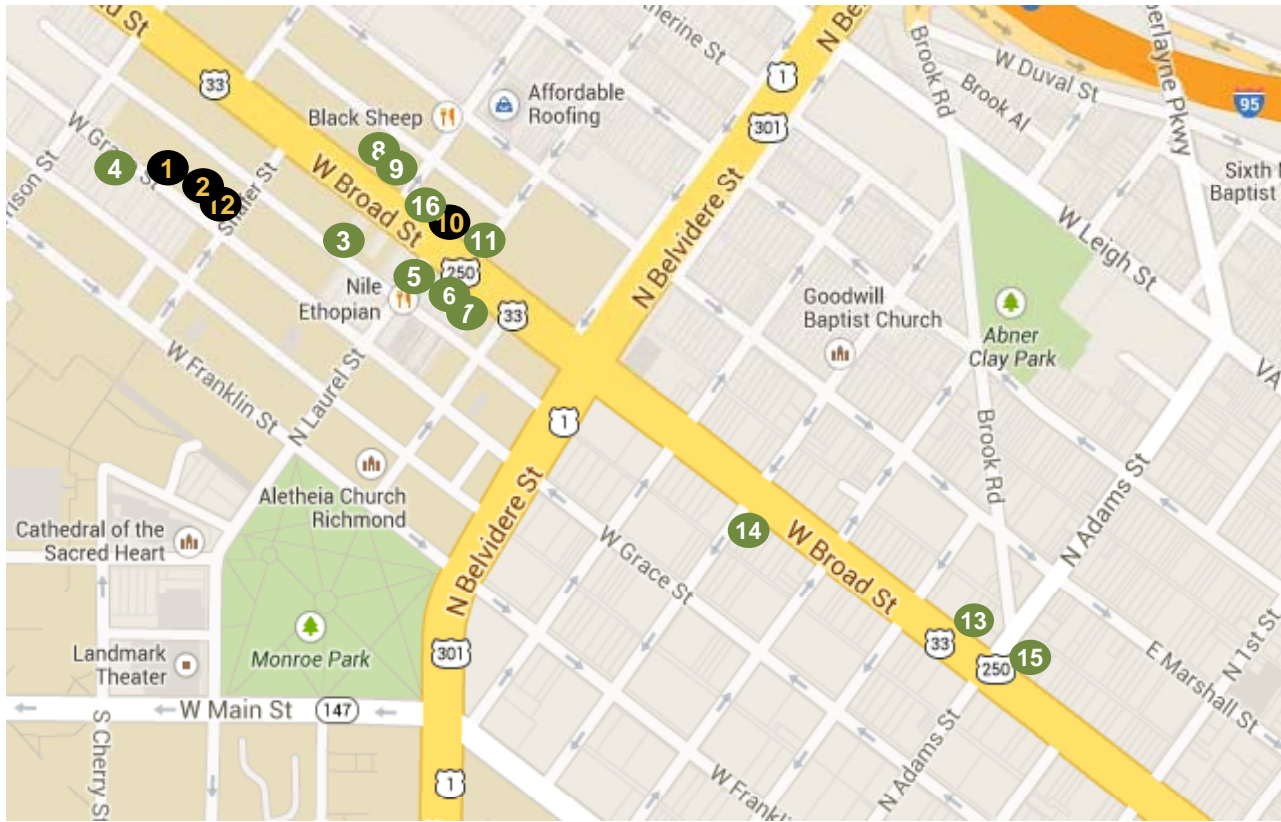
SIGNS OF MOMENTUM:

- Currently: 19 restaurants, 17 galleries, 6 performance venues, 5 apparel stores and \$1.5 billion in downtown Richmond development occurring
- 13 storefronts have been tenanted within the last year
- Growing interest and awareness from brokers and business owners—leveraging Richmond Glass/ICA
- Working with fashion faculty on student showroom space in Ramekins space (818 W. Broad Street, owned by VCUREF)
- Discussions underway with Urban Outfitters, Peregrine Coffee, yoga studios for vacant Broad Street storefronts
- New anchor developments (Redskins Park and the ICA) alongside existing anchor institutions (Children’s Museum and Virginia Science Museum)
- Brokers, investors, and entrepreneurs gaining confidence in the neighborhood with VCU’s community investment

STRATEGY 4: Build retail critical mass along Broad and Grace Streets

A	Position the Broad and Grace Street neighborhood around Monroe Park a Center for Locally-crafted Excellence.	VCU RES
B	Follow up with targeted local retailers, which have been identified as expanding and interested in Broad and Grace Streets around Monroe Park.	VCU RES; Retail Brokers
C	Continue to make non-market rental rates and favorably structured leases available to make retail economics viable for strategic tenants.	VCU RES
D	Accelerate efforts to educate retail brokers and neighboring landlords on VCU properties and the opportunities surrounding the VCU campus.	VCU RES
E	Acquire and develop new and renovated spaces for tenanting, such as the ground floor of new student housing.	VCU RES

RECENT NEW RETAILERS ALONG BROAD AND GRACE STREETS



Key	Store Name	Store Type
1	PC and Mac Technology Retailer	Electronics
2	National General Merchandise Store	General Merchandise
3	Noodles & Co.	Fast Casual Food
4	Big's BBQ	Fast Casual Food
5	Pizza Place	Fast Casual Food
6	Rumors	Clothing
7	Bianca Flair	Clothing
8	Balance Bicycle	Sporting Goods
9	Mo's Sweet Minis	Bakery
10	Richmond Glass Building	Art Gallery
11	Restaurant	Restaurant
12	Panda Express	Fast Casual Food
13	Round 2 Clothes	Clothing
14	Verdalina	Clothing
15	Comedy Coalition	Entertainment
16	Firehouse Subs	Fast Casual Food

RATIONALE: As VCU continues to grow, a multimodal transportation plan will provide needed accessibility and will enhance community and campus connectivity for residents, merchants, and visitors. Enhancing safety and transportation options increases foot traffic and encourages alternative transportation use. Addressing life safety issues also of critical importance to improving accessibility and walkability.

SIGNS OF MOMENTUM:

- VCU’s Master Plan – Transportation Element
- City’s Strategic Multimodal Transportation Plan
- Discussions under way with parking management regarding increased potential non-VCU parking use
- Increased police presence and engagement with community to create safe streets

STRATEGY 5: Rationalize traffic, transportation, parking, and street safety

A	VCU should be an advocate for Richmond Bikeshare – broadens students “zone of travel”.	VCU Gov’t Affairs
B	VCU should monitor its bicycle transportation enhancements for usage and efficacy, and make the findings public.	VCU Transportation
C	Continue to advocate for BRT on Broad Street, pedestrian safety, and bus stop arrangements.	VCU Gov’t Affairs
D	Work with City of Richmond to approve the Carytown parking exemption for small businesses to Broad and Grace Street businesses.	VCU Gov’t Affairs
E	Collaborate with VCU Office of Facilities Management to use VCU parking decks for Broad Street event parking on nights and weekends.	VCU RES/ Parking Mgmt

RATIONALE: A neighborhood branding strategy has the power to distinguish a district from the city, to unify merchants and stakeholders, and to curate a conceptual identity for the district. Effective brands are embraced by the community and create a widely accepted district.

SIGNS OF MOMENTUM:

- Arts District logos emerging in Broad Street windows
- City’s collaborative marketing initiative with Arts District
- Merchants meeting, recognizing need for identity/brand, building on arts/RVA campaigns, merchants recruiting fellow retailers to be involved

STRATEGY 6: Identify the neighborhood with a branding strategy

A	Build upon the new Arts and Cultural District Brand to connect VCU with the neighborhood.	DNA/Merchants Assoc. and Venture Richmond
B	Collaborate with Venture Richmond to implement the branding strategy in the neighborhoods surrounding VCU.	VCU RES/Venture Richmond
C	Employ a professional branding agency to develop neighborhood branding and provide guidance for implementation.	VCU RES/Venture Richmond

RATIONALE: As an urban university competing in a global arena, VCU knows that many top candidates for faculty, staff and students are accustomed to cities that are richly walkable with coffee shops, restaurants, and appealing retail. The university is in a unique position to serve as convener of key stakeholders, as it has the resources—property, talented people, funds, and respect—to do so.

SIGNS OF MOMENTUM:

- Community understanding VCU’s vision for the neighborhood
- Positive community feedback on merchants meetings, broker meetings, tenanting meetings

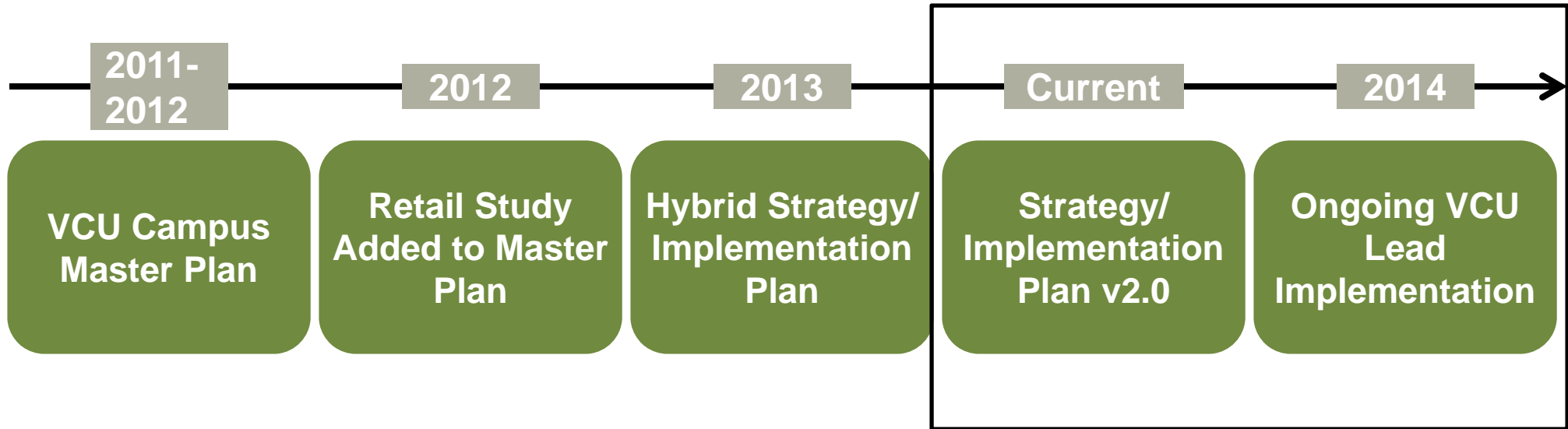
STRATEGY 7: Building an Enduring VCU/Community Partnership in the Broad/Grace Corridor

A	Create balanced multi-stakeholder advisory group that reports to the Administration at a sufficiently high enough level to assure silo-crossing internally as well as fostering external collaboration.	
B	Recruit appropriately experienced consultant/coach to advise beginning partnership’s	
C	Recruit appropriately skilled professional to staff the partnership initiative -- seeking out opportunities for university/community collaboration	
D	Encourage VCU architect, REF and facilities management to adopt urban design guidelines for VCU affiliated buildings	
E	Focus on implementing a limited number of initiatives that will have enduring and impactful benefit	
F	Commit sufficient VCU funding to enable meaningful progress and trigger matching partner investments.	

Key Findings:

- VCU leadership begetting broader community awareness/engagement
- Regional retailer interest in/awareness of district “flowering” but slowly
- VCU arts community has been easiest to engage and direct
- Existing merchants interested in participating in neighborhood rebranding and growth, but energy has been hard to marshal
- Tenanting will be a “slow burn” but “tipping point” is closer than it was half a year ago

WHERE WE'VE BEEN AND WHERE WE'RE GOING



- Program will continue to live within real estate services—although careful to keep this distinct and apart from business services
- Retain a dedicated program manager—ideally coming from a BID or economic development background—to live it daily
- Will retail specialized brokerage service to serve as district level tenant sourcing resource, perhaps work with existing tenants
- VCU to fund 6-12 more months full “sponsorship” of initiatives before acting as an engaged participant
- Formulating an “ask” of city about streetscape improvements, transportation implementation, and coordination on economic development
- Program needs to be continuously sold within the institution



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