The Return of the Town Center

Town centers represent a new form of mixed-use development that looks a lot like traditional American main streets.

MAIN-STREET AND TOWN-CENTER developments, whether they are modest village centers on the suburban fringe or bustling urban districts created on infill sites, have attracted intense interest from the real estate industry in recent years. There is also a growing appreciation among community leaders, planners, and policymakers that town centers can support smart growth goals. The public apparently agrees: in a 1995 American Lives survey, 86 percent of suburban homebuyers expressed a preference for mixed-use town centers clustered around village greens.

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But while suburbanites are attracted by main streets and town centers, they also demand convenient automobile access and the same quality and selection of merchandise that have made shopping malls successful. Similarly, the offices, retail businesses, and service establishments that occupy main-street and town-center developments have suburban expectations for highway visibility, conventional parking lots, and façade characteristics that are different from the format of a traditional town center. Thus, developers, planners, and architects are faced with the challenge of reinventing traditional town centers in ways that can serve suburban communities.

EMERGING FORMATS

Until relatively recently, the real estate industry viewed mixed-use projects organized in a traditional layout of streets, buildings, and public spaces with skepticism. Attempts to invent new types of commercial centers for American master-planned communities (MPCs) and the British New Towns of the 1960s and 1970s were uninspiring. These projects used conventional shopping-center design, pedestrian malls, modernist buildings with large footprints, and uniform façades that extended for hundreds of feet. Although experimentation with other types of mixed-use development continued in the 1970s and 1980s, when the Urban Land Institute published the *Mixed Use Development Handbook* in 1987, the focus was on high-density office-hotel-retail clusters that were being developed in large metropolitan regions and edge cities, rather than on town centers.

Modern town-center development began in the 1980s with the construction of four projects: Miami Lakes Town Center in Miami Lakes, Florida; Mashpee Commons in Mashpee, Massachusetts; Reston Town Center in Reston, Virginia; and Mizner Park in Boca Raton, Florida. Miami Lakes and Reston were new town centers in large maturing MPCs, while Mashpee and Mizner Park were redeveloped older shopping centers. Each of these projects organized a mix of uses along a network of streets and included urban parks, squares, and plazas. All the projects incorporated a vertical mix of uses, and all but Reston included residential units above ground-floor retail.

These early town centers achieved mixed results, generally drawing accolades for their design but, other than Mashpee Commons, not providing clear evidence of profitability. This was due, in part, to the special circumstances surrounding their development: the deep pockets of the developers of Reston Town Center, and the public-sector involvement in Mizner Park. Nevertheless, these early town centers were not failures. They attracted and retained retail tenants, office tenants, shoppers, and residents, while weathering major recessions and economic downturns.

This modest success of the first town centers led to a second generation of projects in the mid-to-late 1990s. These town centers coincided with retail innovations such as lifestyle and urban entertainment centers. (The term "lifestyle center" was coined—and trademarked—by developers Dan Poag and Terry McEwen in 1987 when they built The Shops at Saddle Creek in the Germantown area of Memphis, Tennessee. CocoWalk, which opened in 1990, is often cited as the first urban entertainment center.) Both lifestyle centers and urban entertainment centers broke with conventional shopping center formats and incorporated more pedestrian-oriented design and street-oriented retail stores. At the same time, the nascent new urbanism movement was establishing principles and practices for building traditional urban places that accommodated the automobile, large-scale retailing, modern workplaces, and production builders. Early new urbanist town centers in traditional neighborhood developments (TNDs) such as Seaside (Fort Walton Beach, Florida), Kentlands (Gaithersburg, Maryland), Celebration (Orlando, Florida), Haile Village Center (Gainesville, Florida), and Harbor Town (Memphis, Tennessee) all took shape during this period.

The developers of the TND town centers looked for the right mix of shops, restaurants, and entertainment for their particular markets; accommodated suburban functions in urban building types; mixed uses vertically; built well-defined streets and public spaces; and incorporated high parking ratios through a combination of on-street parking, surface lots, and parking structures. Their town centers also demonstrated how mixed-use commercial streets and urban districts could be connected to residential neighborhoods to enhance the value (both intrinsic and financial) of the surrounding residential community.

While these projects advanced town-center urban design, they also showed that the town center format did not absolve developers from conventional market factors, site location constraints, and conventional retailing rules. Corner stores buried internally within TNDs, village centers with little if any arterial visibility, buildings that were too small or inflexible to accommodate chain stores, and commercial centers that were built too far in advance of residential phases of projects repeated the mistakes of village centers in many British New Towns of the 1960s and 1970s. Mindful of these shortcomings, the current third wave of town-center developers has learned to combine traditional urban design with the conventional techniques of real estate development and retailing practices. Market analyses are conducted separately for each component of the use mix and for each subcomponent of the housing mix; site locations are evaluated in terms of traffic counts and visual exposure to drive-by customers as well as connectivity with adjacent neighborhoods; the amount of retail square footage and tenant mixes reflect those of neighborhood, community and regional shopping centers and specialty centers; and conventional exit strategies that enable the subcomponents of town centers to be more easily financed, packaged, sold, and traded are being adopted. The latest generation of town centers includes Easton Town Center (Columbus, Ohio), Southlake Town Square (Southlake, Texas), Philips Place (Charlotte, NC), Valencia Town Center Drive (Valencia, California), and CityPlace (West Palm Beach, Florida).

These projects are typically much larger than the earlier town centers and tap existing local and regional markets, which makes their retail components function more like regional malls. Only two of these projects are part of a TND or a MPC (Easton Town Center and Valencia Town Center Drive) and all of them have been planned and positioned to tap existing market demand, rather than in anticipation of demand to be generated by new residential development.

In addition to these larger projects, there has been a widespread application of the town-center format to a variety of mixed-use developments and retail hybrids. Town-center projects are appearing in many metropolitan regions in the United States and Canada, in suburbs, edge cities, master-planned communities, and suburban towns. There are mixed-use alternatives to apartment complexes and office parks, as well as "transit villages" located on commuter-rail lines. The largest town centers are those built in older suburban communities as large infill projects replacing old shopping centers. While these projects differ in terms of scale, location, mix of land uses, and degree of transit orientation, all are conceived and advanced in the spirit of creating lively, diverse, pedestrian-friendly places to live, work, and shop.

The third wave of town centers is distinguished from conventional shopping centers, urban entertainment centers, and so-called lifestyle centers by a mix of different uses (often including office and residential above-ground floor retail); short, walkable urban blocks; narrow streets lined with shops and restaurants; and formal squares, plazas, and public spaces. These town centers are generally composed of small and medium-sized buildings, large enough and flexible enough to accommodate the needs of a variety of mainstream retailers. In the case of larger buildings, façades are broken up to give the appearance of an ensemble. The new town centers also exhibit a more prevalent community-orientation than other retail formats, not only in the provision of public space, but in the incorporation of libraries, town halls, post offices, and other civic uses, as well as housing units. The presence and prominence given the City of Southlake's City Hall in Southlake Town Square, the restored 1920s Mediterranean-revival church in City Place, and the post offices in Mashpee Commons, Southlake Town Square, and Celebration contribute a level of authenticity lacking in conventional shopping centers, lifestyle centers, and urban entertainment centers.

Town centers cover a wide assortment of sizes, ranging from the village scale of Haile Village Center, Harbor Town Square, and I'On Square (Charleston, South Carolina), the small-town scale of Celebration (Orlando, Florida), Kentland's Market Square, and Mashpee Commons, and the larger, urban scale of Mizner Park, Reston Town Center, and CityPlace. Town centers incorporate everything from small "mom-and-pop" shops and live/work buildings to large corporate office buildings, apartment blocks, big-box retailers, entertainment centers, and hotels. The buildings, streets, open spaces, and tenants differ based on the degree of their urban character as village-like, town-like, or city-like. What establishes the distinctive character of each setting is the manner in which everything—the height, setback, and types of buildings, the types of urban open space, the width of the streets, alleys and passages, the kind of street lighting, landscaping, and street furniture, the type and placement of street trees—reinforces the essential urban character and makes each project a distinctive place.

Defying one of the fundamental assumptions of shopping malls—that customers prefer climate-controlled environments—these open-air centers are being built in all types of climates, from Cape Cod to the Pacific Northwest, and from temperate climates in Florida, California, and the Southwest to regions with harsh winters in the Midwest and Northeast. The success of Mashpee Commons in Cape Cod and Easton Town Center in Ohio, as well as many dozens of older, revitalized main streets and town centers in colder climates, has shown that if snow removal is handled quickly and efficiently, customers will come out and enjoy the charm of main-street storefronts and lampposts decorated for the holidays and a real Christmas tree on a village green. Mashpee Commons has not only survived but thrived for the past 15 years in a winter weather market that was overbuilt and where conventional shopping centers have struggled.

KEY FACTORS

What has changed that has suddenly made the town center the focus of attention? What forces have come together to change the perception of these projects from being risky trips down memory lane into attractive investments and trend-setting developments?

The key factors driving the development of town-center and main-street projects include changing demographics and lifestyle preferences; trends and innovations in retailing, apartment building, and office projects; the desire for a stronger sense of community identity and sense of place; and the emergence of public policies that promote smart growth and the new urbanism.

Changing demographics and lifestyle preferences cut across real estate development, retailing, and the entertainment and restaurant industries. The residential, commercial, and office portions of the 1950s-era suburbs were planned and designed to meet the lifestyle needs of families consisting of working husbands and stay-at-home moms. Demographer Dowell Myers has observed that today the "traditional family of breadwinner father and stay-at-home mom now accounts for barely one-tenth of all households," and working mothers have become the norm. Married couples with children represented only 26.7 percent of all households in the 1990 census and slipped to 23.5 percent in 2000; the other three-quarters of U.S. households were made up of singles, families with no children, and single parents with children. One-quarter of households currently consist of persons living alone, and, according to the 2000 Census, "nonfamily households" will soon account for one-third of all households. Households in the United States are also growing older and more ethnically diverse.

Through their survey research, Warrick and Alexander have summarized the implications of these changing trends as:

- The change from mass-market standards to niche-market differentiation, both by life stage and by lifestyle.
- The change from unplanned suburbs to master-planned communities.
- The change from suburban anonymity and individualism to a yearning for community.
- The change from contemporary to neo-traditional styling.
- The change from strip-commercial suburban sprawl to compact, highly defined town centers.

The effect of these changes on real estate markets is already being felt and will continue to have an impact in the years ahead. Compared to families with children, households composed of singles, couples with no children, and retirees are all more likely to be attracted to smaller, lower-maintenance housing clustered within walking distance of people and activities. The *American Lives* survey found 86 percent of suburban homebuyers expressing support for the concept of a mixed-use town center clustered around a village green. Only 29 percent favored "shopping and civic buildings distributed along commercial strips and in malls." This suggests that people are bored with the repetitive residential, office, and retail products that have been built throughout the United States over the past 50 years, and that they associate much of this development with the negative impacts of suburban sprawl.

Concern about livability issues extends beyond residents to business and community leaders, who regard the negative effects of sprawl as a threat to their ability to compete with other regions. There is a growing appreciation among community leaders, planners, and developers for the ability of traditionally designed town centers to establish a strong identity for residential developments and communities. Maturing suburban and edge-city landscapes typically lack a center that establishes an identity for the community and offers residents and visitors an opportunity to meet and mingle face-to-face. "It's a character issue and an identity issue," says Robin Traubenik, planning chief for New Lenox, an edge city near Chicago, Illinois. "Here there's nowhere to take your kids on a Saturday and walk around. There's a feeling something's missing."

A ROOM WITH A VIEW

Despite the dearth of market data on the potential for housing in town-center projects, and strong skepticism among some real estate professionals, residential properties in town centers continue to exceed expectations in a wide variety of markets. Most surprising of all has been the strong demand for housing above retail and offices. The town center of Orenco Station (Portland, Oregon) has lofts and live/work units—residential types that were little tested in the market. Yet they have averaged selling prices of $190/square foot compared to the local average of $130/square foot for attached residential units. Similarly, despite being located just minutes away from competing properties with beachfront views in Boca Raton, Mizner Park's apartments above shops and cafés have proven extremely popular, particularly those facing the bustling central plaza; indeed, Mizner Park's apartments and urban townhomes are now considered the most successful parts of the project. In Miami Lakes, Haile Village Center, and

Mashpee Commons, there are waiting lists for rental apartments above shops. And in suburban Gaithersburg, Maryland, three-story live/work units on the main street of the Kentlands and Lakelands TNDs are being sold for a half-million dollars each, prices well in excess of larger single-family homes in the area.

Developers such as Post Properties, AvalonBay Communities, and Trammel Crow Residential have established footholds in "urban village"-style developments in a variety of markets. Although Post Properties and other multifamily REITs have struggled recently, Post projects such as Uptown Place (Charlotte, North Carolina) have done well in an urban market where there had not been any new apartments built in more than a decade. Other Post projects in markets such as Dallas, Denver, Atlanta, and Phoenix, where there is a large supply of multi-family housing, have also commanded premiums. Given the questions surrounding the effect of Post's urban village projects on its recent difficulties, it is worth noting that while Post has divested a variety of residential and commercial properties to improve its financials, its recent move in November 2002 was to buy out its partner's share of the Post Addison Circle urban village project, paying $19.5 million to buy 1,334 apartments, 110,000 square feet of retail space, and 40,000 square feet of office space.

While the compact forms of town centers are touted for their potential to reduce automobile trips, support transit, and consume less open space, residents are drawn to them for their lifestyle aspects. Town-center and main-street projects are "live, work, play" settings that offer relief from the automobile-dependent lifestyles of soccer moms, business commuters, and others who dislike living in suburban sprawl. While some are attracted by the lure of a more Bohemian lifestyle of bistros and art galleries, the appeal for others is to simplify their lives and experience a stronger sense of community. As John Williams, the former chairman and chief executive officer of Post Properties, says, "It's a blend of old-fashioned neighborhood living and 21st-century technology and convenience."

The same lifestyle qualities that draw retailers to town centers are attracting the hospitality industry. Hotel guests harried by busy schedules and frequent traveling in unfamiliar places welcome an opportunity to walk from their hotel room to offices and lunch meetings during the day, and restaurants, bars, cineplexes, and fitness centers in the evening, without having to resort to their rental cars. Perhaps most important, a town-center residence or hotel room also offers something rarely found in suburbia: a 'room with a view' overlooking the public space and street life of the community.

There are those who continue to be skeptical of main-street retail. Critics point to the struggles of older, historic main-street districts, and the seeming incompatibility between retailers' big-box formats and main street's constricted shop spaces. Most of all, critics focus on hallowed and time-tested rules of retailing involving highway visibility, traffic counts, parking ratios, building orientation, signage, and tenant mix. Running counter to the continued success of these retail formulas, however, are steady declines in the number and length of mall visits, overbuilding in retail markets, the slowly increasing importance of e-commerce, and the unease of some of the public concerning sprawl and the sameness of many retail settings.

Since the 1980s, retail space has been growing at rates five to six times faster than retail sales figures. The United States is currently flooded with almost five billion square feet of retail space, of which 500 million square feet is vacant. The continued overbuilding in the retail sector has created a zero-sum situation, described by some observers as a form of "retail Darwinism," in which retail properties either compete successfully and grow stronger or die off. PricewaterhouseCoopers' *Emerging Trends in Real Estate 2000* described the situation quite simply: "There's too much retail. That's the problem." As recent research on greyfield malls has shown, while super-regional malls grow stronger, large numbers of older shopping centers and malls are struggling. Even power centers, considered the beneficiaries of shopping-center decline, are now viewed cautiously by investors. In *Emerging Trends in Real Estate 2003*, only hotels are rated as having higher risk characteristics per capitalization rate bid than power centers; 59 percent of experts polled in the survey have a "sell" rating for power centers, with only 12 percent "buy" and 29 percent "hold," far worse than any other type of commercial property covered in the annual survey.

This would be bad news for the developers of town centers if not for the strength of demand. Surveys report approval ratings of 70 percent to 80 percent and higher for town-center concepts. The current economic slow-down is obviously having a widespread impact on all types of retail and office properties and will definitely put a hold on new development for some time. On the other hand, intense competition and the uncertainty of the future viability and profitability of standard retail formats has encouraged developers to continue searching for new twists and variations that can give them a leg up on the competition. The public's attraction to town centers has not gone unnoticed by retailers and developers, who have been rediscovering the main streets of older downtowns such as Westport, Connecticut, Winter Park, Florida, and Santa Monica, California. Mainstream retailing chains such as Talbots, Ann Taylor, Victoria's Secret, Gap, Banana Republic, J. Crew, the Body Shop, and Starbucks are actively seeking main-street locations. Shopping-center owners and developers are also keenly aware of this trend and are rapidly introducing "main street malls" and lifestyle centers, with an estimated one-third of all new shopping-center properties now incorporating main streets and open-air town-like atmospheres.

Richard Heapes, the principal designer for Mizner Park, Santana Row (San Jose, California), and other town-center projects, has warned against the "malling of main street" and simplistic changes such as removing the roof of a shopping mall and renaming it a town center. As Gary Bowden, president of the architecture, planning, and design firm RTKL states, "Main street is not two strip centers face to face; the developers of these . . . centers require a city-builder mentality, and they require patience." It takes more time to orchestrate the construction of a mix of uses—main street retail, hotels, office, entertainment, residential, and civic uses—and to build up the critical mass of synergistic uses that generate higher land values and returns as the project approaches build-out. A mistake made during the development of some town centers, such as Orenco Station Town Center, was to sell off adjacent portions of property too early, so that as the maturing town center pumped up the value of the surrounding property, the benefit went to the new owner rather than to the town-center developer.

A common misperception of town-center projects is that they are limited to upscale boutiques and espresso bars. Projects like McKenzie Town Center (Calgary, Alberta), King Farm (Gaithersburg, Maryland), and Mashpee Commons are showing that standard shopping-center tenants such as pharmacies, supermarkets, and video stores can be incorporated into main-street settings. Easton Town Center, CityPlace, and lifestyle centers like Washingtonian Center (Gaithersburg, Maryland) have been designed to incorporate big-box stores and department stores in main-street settings. The challenge for planners is to reconfigure the standardized site and building formats used for shops, restaurants, cinemas, hotels, and offices.

Another retail innovation is the conversion of former shopping-mall and strip-center properties into town centers. In cases like Mizner Park and the Uptown District (San Diego, California), this has involved the complete demolition of the original mall and construction of a new urban street grid and buildings. In other cases, it has involved a combination of demolition and rehabilitation of structures, as in the case of Mashpee Commons. Other projects are undergoing a gradual transformation, such as Brainerd Town Center in Chattanooga, Tennessee, and Winter Park Village in Winter Park, Florida. Infill sites bring both challenges and opportunities, and typically involve strong public-private partnerships in making the projects happen.

THE WORKPLACE

In addition to creating more lively, interesting places for living and shopping, town centers are beginning to attract a variety of employers, ranging from small, independent professional offices for lawyers, real estate brokers, insurance brokers, and medical services, to headquarters for major corporations. Redmond Town Center (Redmond, Washington) houses the headquarters of AT&T; Valencia Town Center Drive is the home of the headquarters of the Princess Cruise Line; and Reston Town Center contains several corporate headquarters. Apple Computer and JVC have located manufacturing facilities in Laguna West's town center, near Sacramento, California, and some office and technology parks, such as Legacy Town Center (Plano, Texas), which houses the headquarters of EDS, are beginning to transform themselves from single-use work zones into mixed-use, pedestrian town centers.

Town centers offer an alternative for companies whose employees feel isolated in conventional office parks and want human interaction outside the workplace. Charles Lockwood, who has written on the suburban town center and the main-street phenomenon, has observed, "More and more people want to return to the traditional main street, particularly as their lives become more mobile, more global, and more computerized. Despite all the talk about 'going virtual,' people still need to feel they belong to a community."

The home-based workforce, in particular, is attracting homebuilders and developers of town centers. Although estimates vary, the size of home-based businesses and workers is expected to grow rapidly in coming years. According to one estimate, there are now nearly 20 million home offices, and some 55 million people who perform some work at home either as self-employed individuals or for an outside employer. These numbers are fueling a growing interest in live/work buildings, and causing communities to revise zoning and building codes to allow more small-business mixed-uses in residential neighborhoods. Even if only a small fraction of this demand translates into work-at-home and live/work units, the lack of available product for these households represents an untapped market for developers that can be met through town-center formats.

DESIGN FAD OR ECONOMIC MODEL?

Town-center design responds to the desire of consumers and communities for alternatives to malls, commercial strips, and power centers, and introduces a new business model that taps the synergies and efficiencies of higher-density development and mixed land uses. Like urban entertainment centers, town centers combine movie theaters and nighttime entertainment venues with dining and retail. Movie-theater ticket booths, exits, and parking areas are located strategically to generate a natural flow of pedestrians past shops and restaurants. Restaurants are clustered around plazas and squares where the street life can be observed, encouraging customers to linger, shop, and people-watch. Offices and hotels generate daytime business for shops and restaurants and share costs for parking structures and maintenance of common areas, and the town center provides amenities for hotel guests and business people. Residences provide some direct business for shops, restaurants, and entertainment venues but, more important, they provide 24-hour activity that enlivens the town center and enhances the safety and authenticity of the settings. The combination of land uses creates opportunities for shared parking, shared maintenance costs, and phasing of development in response to market fluctuations that are not available to single-use developments.

The town center model complements smart-growth policies that call for compact development, transit- and pedestrian-oriented development, shared parking, mixed land uses, and the creation of public gathering places. In some cases, such as Mizner Park, City Place, and large transit-oriented projects such as Orenco Station Town Center, a town-center format is mandated, either through zoning or a request for proposals issued by a municipality. While the dovetailing with smart-growth objectives can help garner public-sector support and approvals for a project, the complexity of town-center development and the low-density, single-use bias of existing regulations and codes also mean that the permitting process often proves more difficult.

From a consumer perspective, the town center provides added convenience through the dispersion of parking throughout the site in small lots, garages, and on-street parking. This allows customers to drive through the town center, locate the store they want to visit and park closer to the store. In contrast, in a shopping mall only the large anchor stores are visible on the exterior, requiring shoppers to park, walk through large open parking lots, and then wander the interior of the mall until they locate the store they are looking for. The internal orientation of the shopping mall not only provides comfort through climate control, it also obliges shoppers to pass by large numbers of stores between anchors, creating opportunities for impulse buying and cross-shopping between stores. Town centers do the same in positioning their most attractive destinations and creating cross-shopping opportunities along main streets, but they also provide an open orientation that allows time-conscious visitors to find their destination, park, get in and get out.

The open-air layout and public realm of town centers also create community gathering places where people can go for a wide variety of activities and events, including: different types of shopping, entertaining, and dining out; attending festivals and events such as farmer's markets, art fairs, and holiday celebrations; and visiting post offices, libraries, and other civic institutions. The expanded range of activities that town centers support provides reasons for people to visit and linger in a town center beyond the shopping, food court, and carrousel offerings of typical shopping malls, or the discount warehouse shopping experience of Wal Marts and Costcos.

The urban design of town centers has other bottom-line advantages. According to real estate developer William Gietema, Jr., "Daylighting retail space can generate higher square foot sales and thereby deliver higher percentage rents to the landlord. Great views can translate into higher average restaurant tabs and thereby higher percentage rents. Issues such as daylighting and view harvesting can be bottom-lined so businesses can do well by doing good."

The new town centers have all been pioneering efforts that, taken collectively, have broken many of the conventional rules of development embodied in single-use zoning, suburban traffic engineering and subdivision regulations, and building codes that do not allow for live-work buildings. Given their mixed-use composition, the financing and construction of town centers have also presented new challenges to developers and builders that single-use projects do not face. As a result, new town centers have involved compromises, and a good deal of pragmatic, trial-and-error experimentation. But what is most striking about these projects is not their flaws but the fact that they have been built despite the challenges and roadblocks that have confronted them. These obstacles have been borne at a price, in terms of both time and money, one that developers expect to be repaid in terms of higher sales and lease rates for commercial components within the town center, and higher rents and sales prices for residential properties in and around the town center.

The majority of new town centers have been developed in markets with large regional populations and strong demographics; that is, significant numbers of upscale consumers. Retail expert Bob Gibbs predicts that the next wave will involve the construction of town centers in secondary markets with smaller populations and more middle-class demographics. These projects will likely be smaller and provide pedestrian-oriented alternatives to older community shopping-center formats. But smaller town centers in secondary markets will need to be more cost effective than those in primary markets, and will probably incorporate—rather than compete with—discount retailers and average shopping-center tenants. As more town centers are built, the question becomes to what extent are these projects simply the latest development fad, versus opportunities for long-term investment and assets for community-building? How likely are they to succeed, endure, and grow in the face of relentless innovation and competition from retail, office, and residential products?

The commercial success of town centers has varied widely and depends on site locations, market conditions, competition, and numerous factors that affect all real estate development. It's too early to judge the economic performance of most town-center projects, several of which opened during the recent recession and retail retrenchment. The ones we know the most about are the first generation, built in the early 1990s. For example, after a slow start during the recession of the early 1990s, Mashpee Commons took off, and since 1992 store revenues have risen between 10 percent and 35 percent annually. According to a 1999 report in *New Urban News*, Mashpee Commons, with average annual retail rents of $30/square foot, "falls in the top 10 percent of community shopping centers in rent and sales per square foot." The newest town centers have also performed well. In Southlake Town Square, near Dallas, six of the 17 national retailers reported that their Southlake stores had the best opening-day sales of their entire national chains, and management reported no retail turnover in the town center's first year of operation. Easton Town Center generated more than $150 million in sales in its first year, with national retailers averaging annual sales of approximately $480/square foot, and restaurants recording sales of more than $700/square foot. CityPlace estimated retail sales at between $450/square foot and $500/square foot in its first year, and total revenues for the first year were estimated at around $60 million. Even Celebration, with its remote site location (far from the highway) and lack of anchor stores, is now reporting average sales in the $300/square foot range.

In other town centers, retail leasing, turnover, and performance have been less than stellar. Projects with poor site locations, low traffic counts, a lack of a clear merchandizing strategy, and critical mass of shops, services, restaurants, and entertainment have not done well economically. Kentlands Market Square has struggled through the bankruptcy of several national tenants, and Reston Town Center's retail tenants reportedly did not perform well until after the addition of a more conventional shopping center adjacent to the downtown, which created a critical mass of retail square footage. Some village centers and town centers built early to boost residential sales in TNDs and MPCs have also struggled while the surrounding community grows. Miami Lakes Town Center, the oldest of the current generation, going back to the mid-1980s, has ridden economic waves, first enjoying the unexpected arrival of major national chains and more recently experiencing the loss of many of those same chains as leases expired and regional competition increased. Town centers that have struggled tend to be those that have ignored one or more of the basic rules of real estate development and retailing: not overpaying for land; making sure there is sufficient market demand for one or more uses; providing convenient parking; and designing shops, restaurants, entertainment venues, and parking to ensure a steady flow of pedestrians past storefronts.

The most consistent positive performance has been of the housing within town center projects. Apartments, lofts, townhomes, and single-family dwellings have been far more successful than developers and market analysts anticipated. Demand for town-center housing has been very strong in a wide variety of markets throughout the United States, and rental rates, sales, and resales of properties have exceeded expectations.

Town centers have generally performed well in creating public gathering places and enhancing the identity of communities. Easton Town Center, for example, attracted 11 million visitors to its location in suburban Columbus, Ohio in its first year. Southlake Town Square has provided a once-centerless suburban community with a home for its city hall, governmental offices, and post office, and quickly became a popular setting for community events. More than 6,000 residents turned out for the first Fourth of July celebration and more than 20,000 for the second; an estimated 25,000 people attended a weekend Art in the Square festival the first year, with 40,000 the following year.

While short-term commercial success is crucial for town centers, their ultimate success will be measured in their ability to endure and adjust to change. The capacity of the first wave of new town centers to grow and mature—some for as long as two decades—suggests that their mixed-use, community-oriented composition may help them survive and adapt to short-term changes in retailing practices and economic changes better than single-use commercial properties that are locked into a particular format.

Finally, town centers require a sophisticated development team. The master developer must coordinate the work of separate office, residential, and retail developers. The complexities and added costs of mixed-use development—particularly vertical mixed-uses and live/work units—and significant up-front infrastructure costs and maintenance costs for the common areas, and the challenges of shared parking, easements, and financing town centers are not for the faint-hearted. There are few development teams that could have tackled a project of the scale and complexity of CityPlace, for example.

CONCLUSION

The potential to create long-term value in town-center properties can be seen in the town centers that were built in the early part of the twentieth century. One of the oldest examples is Market Square, the town center of Lake Forest, Illinois that was developed in 1916 and has now been serving the community continuously for 86 years. Other examples include early "shopping villages" such as Country Club Plaza, developed beginning in the 1920s for the Country Club district of Kansas City, Missouri; Highland Park Shopping Village, developed in Dallas in 1931; and Cameron Village, developed in 1948 for Cameron Park, in Raleigh, North Carolina. All three of these shopping villages continue to operate as strong commercial centers today.

It took many years for Market Square and the shopping villages to fully develop, and they continued to evolve as the decades went by and fashions changed. What has remained constant for each of these settings is their distinctive architecture and urban design, which have allowed them to adapt to the changing demands of retail, dining, office, and entertainment establishments and to accommodate growing numbers of automobiles while maintaining an urban fabric. In Country Club Plaza, this evolution has included the transition from parking lots to structured parking as density and land values increased—providing some validation for similar transformations, often viewed skeptically, that are planned for today's town centers. The enduring charm of Country Club Plaza's buildings and public spaces that continues to attract visitors year after year has also compelled mainstream retail establishments to adapt to the traditional urban ways of doing business found in these older shopping villages.

The essential difference between the new town centers and conventional development boils down to urban design.

Nothing can substitute for good site location, a sound market analysis, and a carefully designed tenant mix and leasing strategies, but town centers have an additional dimension that boils down to "Walt Disney World 101." After decades of painstaking surveys and analysis, Disney's management team discovered that it was not the "attractions" that were fueling the repeat business that is absolutely essential to the economic success of the company's theme parks—it was the overall quality of the built environment and the pleasure people receive from strolling, sitting, and enjoying the place itself. The same is true for town centers and main streets.

What keeps people coming back to town centers and main streets is not simply the commercial activity—there are comparable stores, restaurants, and movie theaters in competing locations—but the attractive public setting that town centers provide for meeting, mingling, strolling, and people-watching. As Daniel Brents, vice president of Gensler, in Houston, has observed, "It's as much about congregating as it is merchandising." The attractiveness of town centers as places for congregating yields the essential ingredients that fuel the commercial success of town center tenants—customers and foot-traffic.