

Entertainment Properties Create Retail Value

Destination real estate can increase the value of surrounding property while improving city infrastructure.

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Destination real estate is bringing together retail stores with museums, hotels with parks, and creating a mixed-use urban development with a cultural flavor.

Multiplexes, arenas and restaurants represent the retail sector while museums, festivals and parks provide the cultural influence.

Some examples of destination real estate include the Metreon in San Francisco, a 417,000-square-foot retail entertainment center surrounded by the San Francisco Museum of Modern Art and the Yerba Buena Center for the Arts.

Denver Pavilions in lower downtown Denver brings together Coors Field, the Pepsi Center and the historic Elitch Gardens Amusement Park.

And, Old Pasadena in Pasadena, Calif., has more than 100 historic buildings in the district, where sales volumes have increased from \$10 million to \$200 million since its inception in 1983.

Donald Carter, managing principal of Urban Design Associates in Pittsburgh, said that the cost-benefit analysis usually becomes positive especially if the destination place is built on undervalued land.

Bethlehem Steel Corp.'s former plant in Bethlehem, Pa., is being transformed into a museum and retail entertainment destination called Bethlehem Works. The site enhances the land and takes advantage of the city's industrial heritage.

In Atlanta, Olympic Centennial Park stayed after the Olympics closed down and new development around the park has increased land values.

A 1998 housing study conducted by Haddow and Co. in Atlanta reported that 95 percent of residents surveyed moved into the downtown area since the 1996 Summer Olympics and viable residential opportunities exist in the Centennial Olympic Park Area.

Bryant Park in New York City, formerly Needle Park, is another example of how real estate values soared after turning the park around and facilitating better use of the land. Office towers like the Grace Building and Bryant Park Studios went from 80 percent occupancy to 100 percent after the turnaround.

"The presence of the park and the cleanup of the area initially made it a good destination for office and showroom type of space," said Bob Lieb, chairman of Mountain Development Corp. in New Jersey and owner of Bryant Park Studios. "It at least doubled the rents from what they were."



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Rents were below market at Needle Park but Bryant Park brought them to the top level, according to Lieb.

"The opening of the park and the improvement of the area encouraged the owners around there to upgrade their spaces and buildings," he said.

In the mid-1980s, Horton Plaza in downtown San Diego was an early prototype of destination entertainment real estate and helped to revitalize the city's Gas Lamp district and bring in approximately \$5 billion of investments into the blocks around Horton Plaza.

"It once was a terrible part of the city," said David Moreno, senior vice president at The Jerde Partnership International Inc. in Venice, Calif. "There was nothing there."

Destination real estate is designed to appeal to a variety of tastes and the volume of visitation usually relates to profits.

"You tap a broader market," Carter said. "Everybody feels comfortable in the destination."

Some people visit destination places for specific reasons, such as shopping at a particular store. Others have no other intention but to walk around and visit the sites.

"The numbers show that those people buy something before they leave," Moreno said.

Destination places usually have different looks to reflect the local and cultural influence of the area.

"Destination developments build on local traditions whatever they might be," Carter said, adding that national retailers are great credit tenants while local tenants add "charm" and "uniqueness."

Local developers of these developments might bring in national developers and involvement from the city. Cities making an investment in their infrastructures might grant tax breaks to developers or they could take out 30-year bonds as partners in the project and earn a percentage of the income as a part of the deal with the developer.

Stadiums and arenas usually have large public investments but arenas and baseball stadiums tend to have more leverage than football stadiums.

"The most attractive place for an entertainment destination is an arena," Carter said.

For example, the MCI Center in Washington not only is the home of the NBA Wizards and NHL Capitals, but it also hosts concerts and attractions like the National Sports Gallery, the American Sportscasters Association Hall of Fame and the Discovery Channel Store.