



## The Business and Spatial Evolution of Retailing:

## Implications for Tren Urbano

**Randy J. Knapick**

M.S. Transportation MIT  
Center for Transportation Studies



# Research Objectives

- Evaluate the relationship between transportation and land use from the retailers' and developers' perspectives
- Maximize the quality and diversity of retail opportunity accessible via Tren Urbano
- Increase the competitiveness of Tren Urbano station areas as locations for retail investment

## Why Study Station-Area Retail Land Development?

---

- Need to create urban environment that accommodates pedestrians and reinforces the public investment in Tren Urbano
- Non-work travel behavior is understudied, but a growing cause of congestion
- Constant spatial shifting of retail centers in conventional auto-oriented development
- Dramatic evolution of the industry:
  - *Is modern retailing compatible with transit?*

# Research Phases and Questions

## **Preliminaries:**

### **Retailing and the Development Process**

- What are current trends in retailing and land development?
- How do retailers evaluate and select sites?
- What factors are most critical to a successful development process?

**Fall '99**



### **Retailing and Transit**

- What are the frictions between retail and development and realities the ideals of station-area development?
- What retail development opportunities are appropriate for which station typologies?
- What strategies and incentives have other cities used to promote station-area retailing? How have they succeeded or failed?
- What are the relevant design issues on the site, station area, and system-wide levels?

**Spring '99**

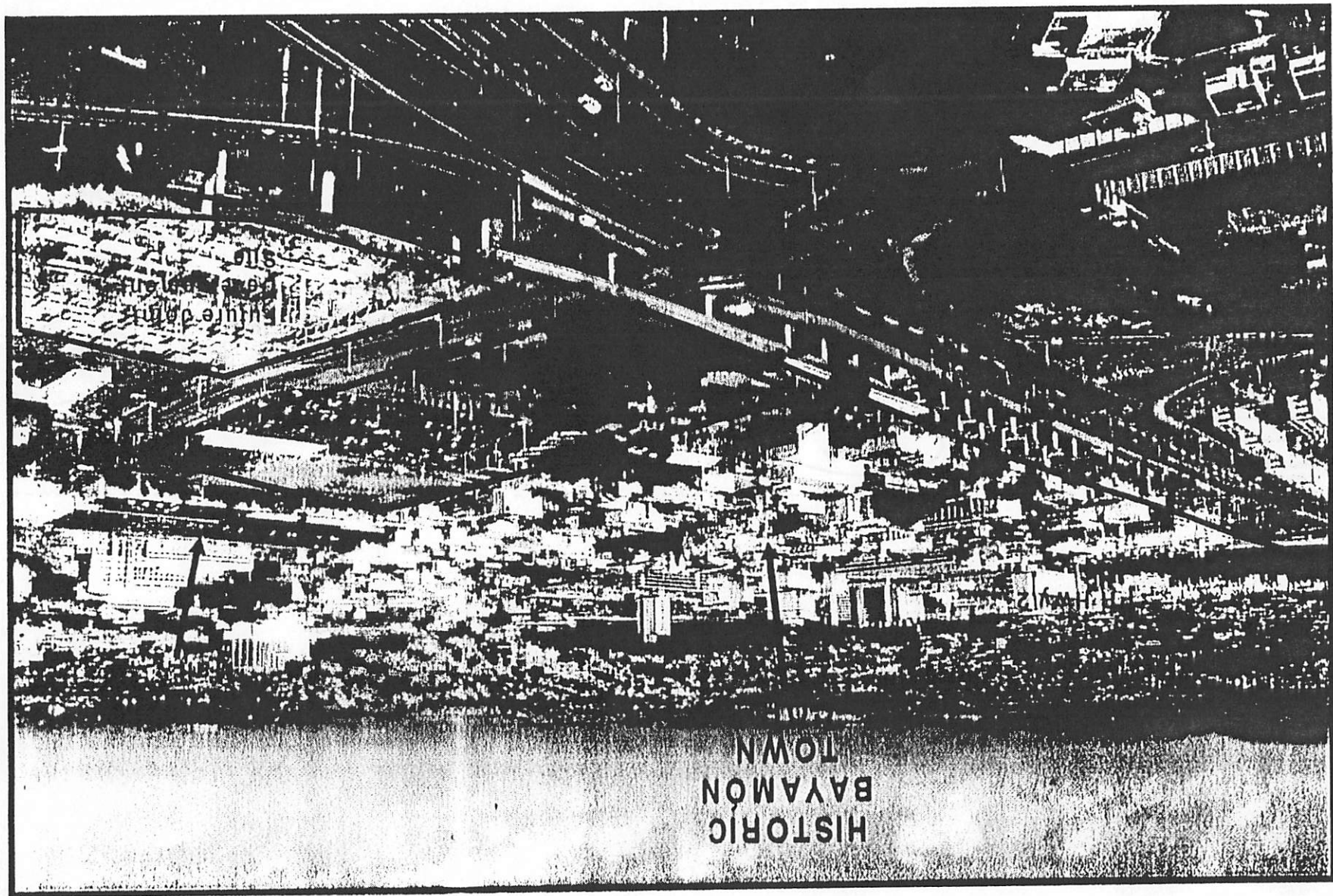


### **Retailing and Tren Urbano**

- What Tren Urbano station areas are amenable to which types of development?
- What must be done to encourage desirable retail development in station areas?
- How amenable are the current market, legal, planning, and institutional structures to fostering good station-area development?
- What strategies and techniques would best equip Tren Urbano to generate the desired development?

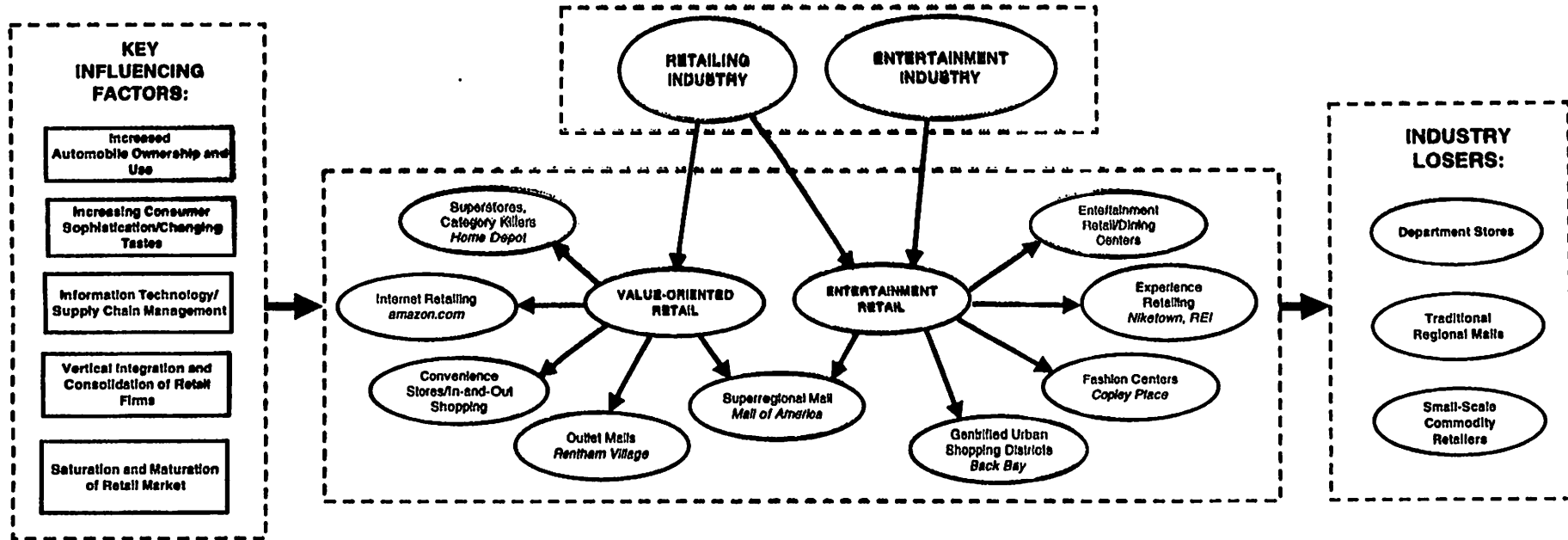
**Next Year**

Major Trench in Retaining

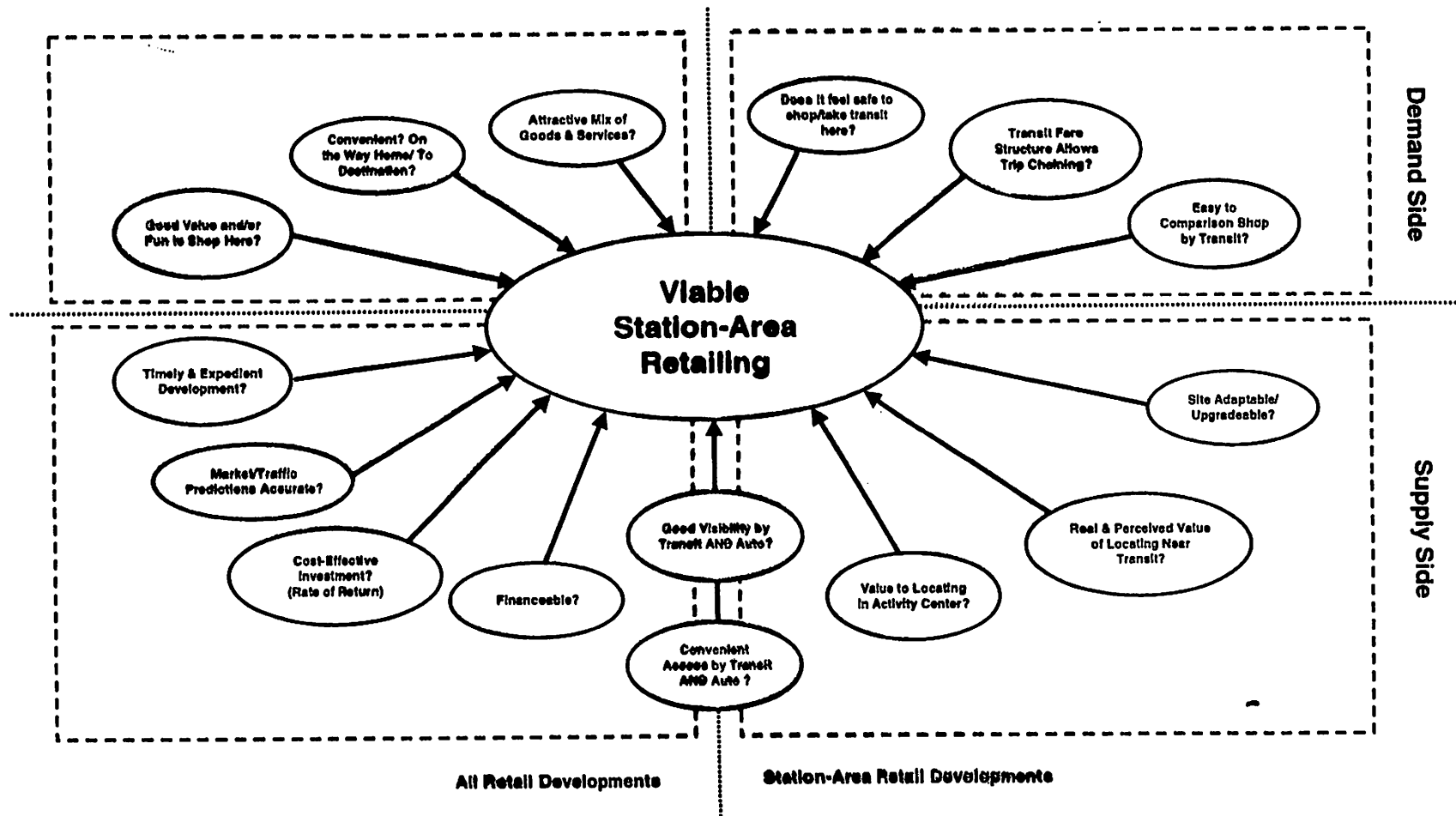


HISTORIC  
BAYAMON  
TOWN

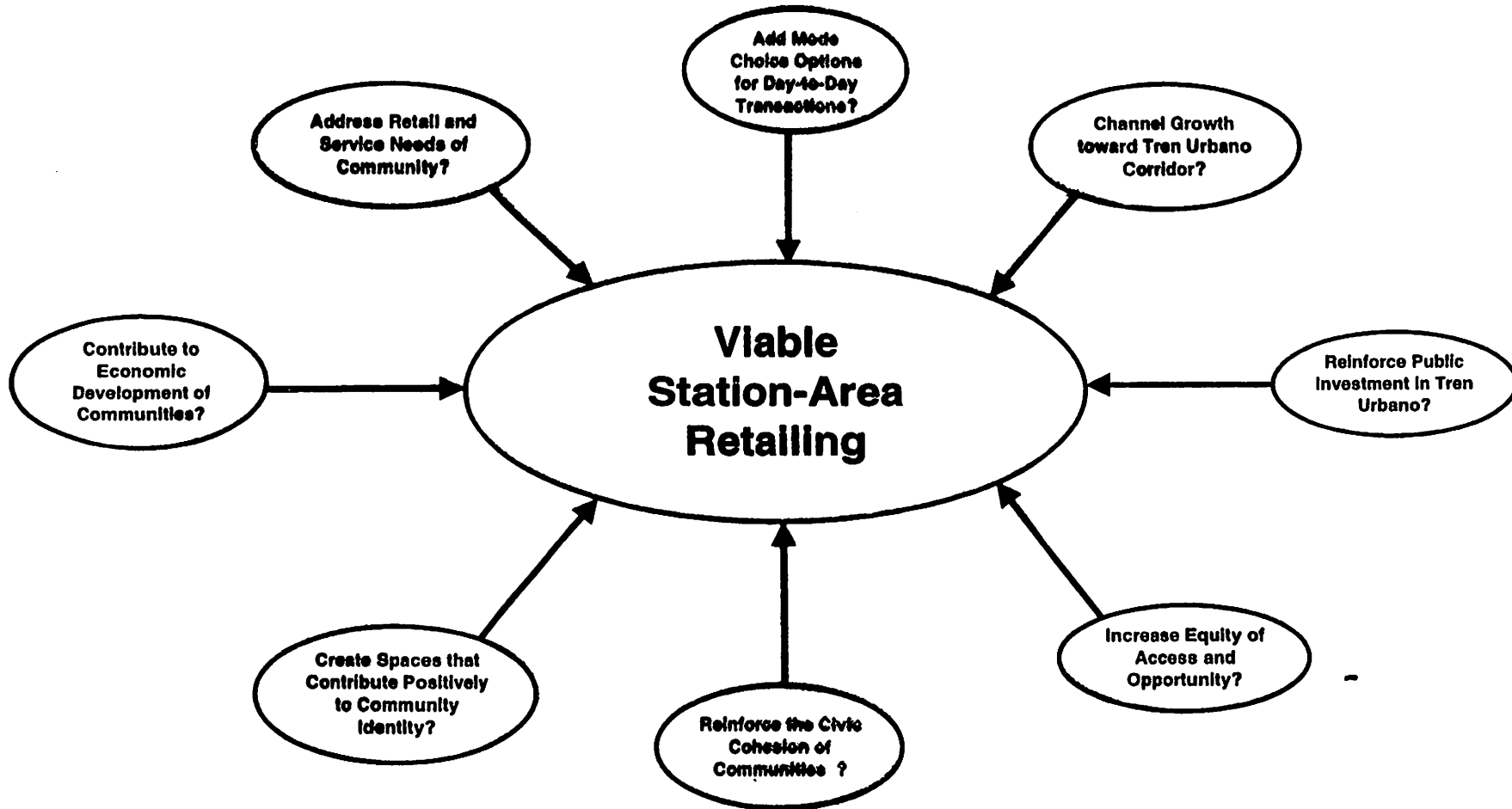
# Major Trends in Retailing



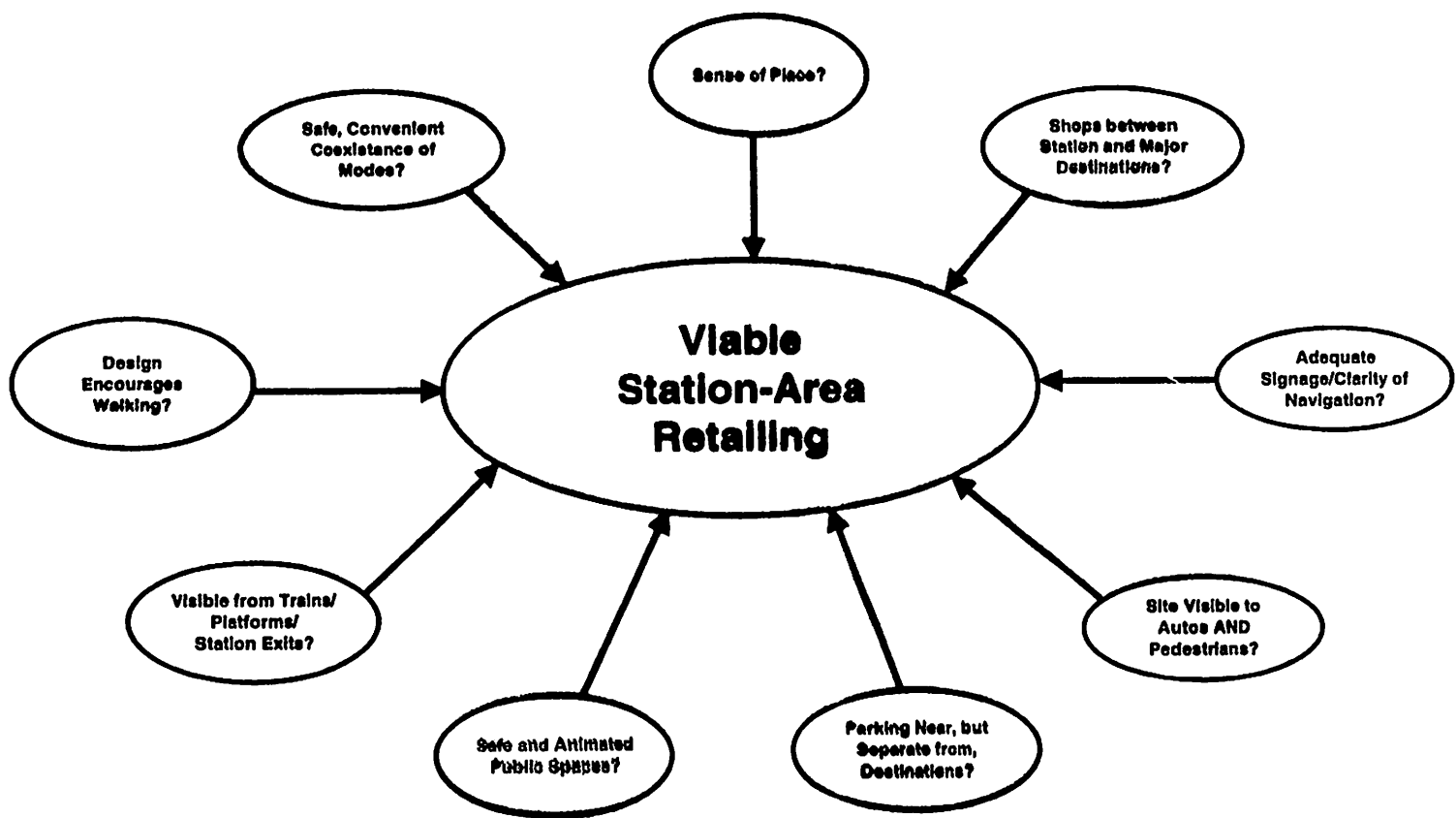
## Viability of Station-Area Retailing: Economic Considerations

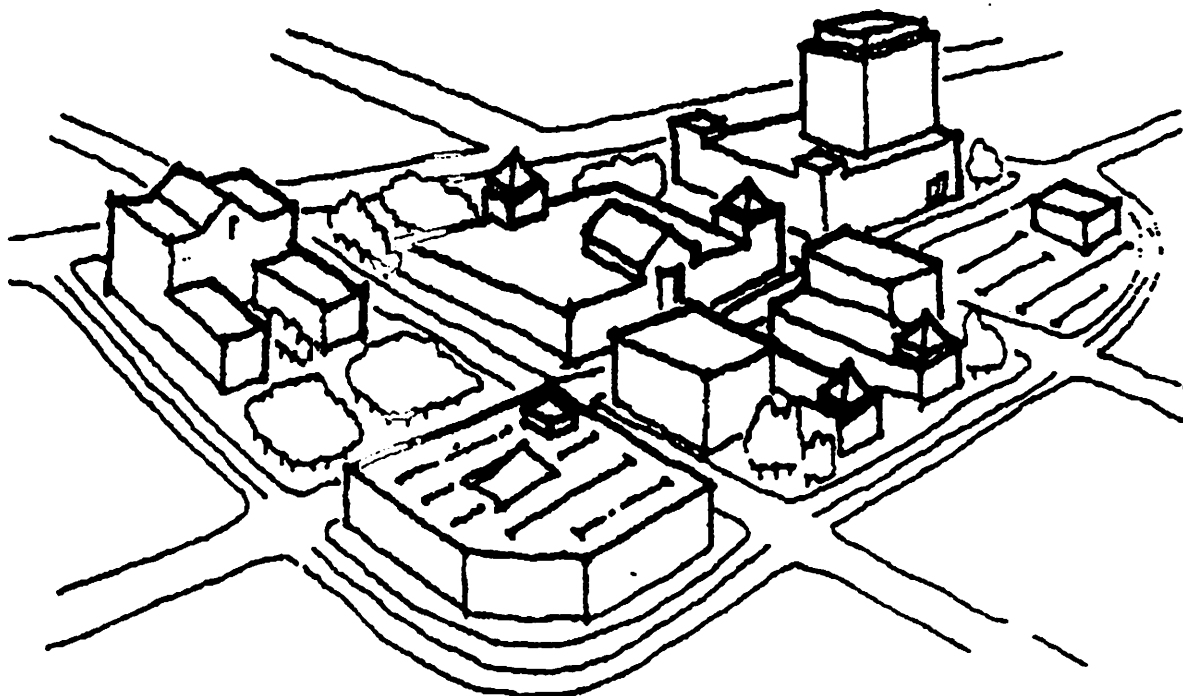
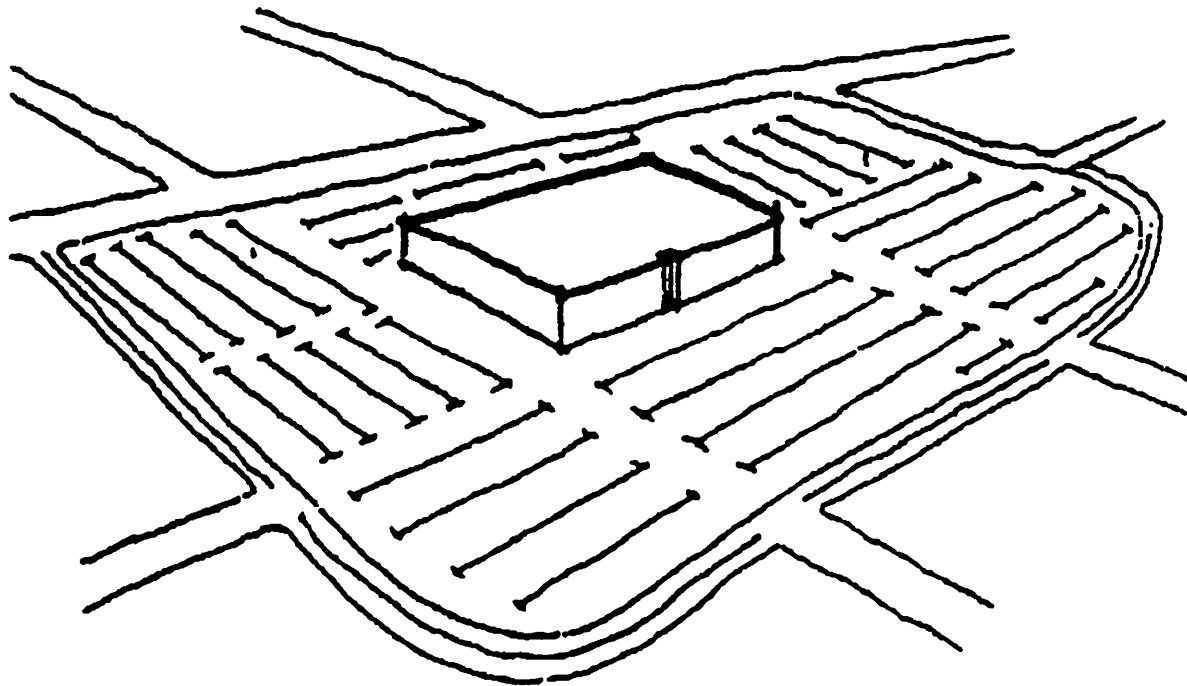


# Viability of Station-Area Retailing: Metropolitan Planning Considerations



# Viability of Station-Area Retailing: Urban Design Considerations





**The Retail Development Process in Station Areas**  
**Phases Where Public-Sector Involvement can Hinder or Encourage Development**

Phase	Key Developer Considerations, Principles, and Attitudes	Likely Complications in Station Areas	Reasons for Complications	Public-Sector Development Inducement Strategies
<b>The Vision</b>	Create a project which is competitive in the marketplace and yields an attractive return to investors	Transit-oriented/station-area retailing not considered part of the range of development possibilities by the development community	TOD concept too new or unfamiliar to generate spontaneous developer interest	Distribute information, contact developers, designate staff person to promote development and intercept developer inquiries
			No developers on-island with station-area design expertise	Use off-island developer or work closely with the first on-island developer to develop a prototype station-area development
			No natural market to support station-area retail	Use long-range growth strategies to create activity centers near stations; Consider potential commercial activity in potential station location decisions
<b>Site Selection and Evaluation</b>	Choose a site which offers the best competitive advantages in terms of selling price/rent, traffic-to-rent ratio, visibility, ease of development	Station-area sites may not be considered desirable according to the evaluation metrics of the development community	Lack of information about the availability of land parcels or market potential thereof	Provide information to the development community regarding available station-area parcels and land use visions for the station area. Conduct market research to evaluate development potential of individual stations
			Perception that station-area development and cooperation with the public sector will be tedious, lengthy, and jeopardizes the profitability of the project	Put forth an attitude that the public sector is informed and willing to foster development. Create a contact person or agency to coordinate and facilitate development inquiries
			No natural market to support station-area retail	Use long-range growth strategies to create activity centers near stations; Consider potential commercial activity in potential station location decisions
<b>Land Acquisition</b>	Acquire land as quickly as possible to minimize costs and development time	Difficulty in assembling land of sufficient size for development	Multiple owners of small parcels, as in historic town centers	Pre-assembly of choice land parcels by public sector; provide assistance to small-scale development projects (e.g. Main Street facade programs)
		Environmental cleanup or other high site preparation costs	Contamination from previous uses	Raising of land to development-ready status by public sector, or financial incentive for clean-up by private sector. Consider federal sources of brownfield cleanup funds
		Land publicly-owned	Disposition of publicly-owned land may be a lengthy, process-intensive, and uncertain process	Establish an efficient clearinghouse for surplus publicly-owned land, especially residual lands from the construction of the transit system (staging areas, etc.)
<b>Schematic Design and Approval</b>	Know the public approval criteria beforehand; avoid overencumbered sites; obtain permits and approvals in a timely fashion	Public approval criteria are ambiguous and complicated adding to development uncertainty and risk	Ambiguous and complicated land use/design guidelines	Draft station-area land use and design regulations so that the developers' responsibilities are presented in a clear and unambiguous fashion; present all public requirements up front, not later in the development process
		Station-area development proposals take significantly longer to approve, with more hurdles, than comparable sites elsewhere	Sheer volume of special permits and regulations	Initiate streamlined "fast-track" approval process for station-area developments, coordinate efforts of multiple agencies; offer personal permitting "walk-through" (e.g. by mayor) for large and important projects
<b>Costing</b>	Control costs so that the space can be leased at a competitive rent and so that the developer and investors see an attractive return on their investment	Costs of station-area development are higher than for comparable developments elsewhere in the metropolitan area	Extra public amenities, denser construction, more involved approval processes likely to involve higher costs than comparable developments	Offset higher costs with public incentives (tax abatement, provision of infrastructure, etc)

<b>Raise Equity</b>	Attract enough investor equity to satisfy requirements of financing; ensure that those investors see an attractive return on their investment	Lenders for station-area projects may demand a greater equity contribution relative to projects located elsewhere in the metropolitan area	Novelty of design, departure from tried-and-true benchmarks, uncertainties of market size and consumer acceptance, greater costs relative to anticipated income (lower return)	Consider offering public subsidies to drive down other development costs, or subsidize interest rates directly. Consider using TEA-21, historic preservation, or other applicable sources of government assistance
<b>Financing</b>	Secure financing quickly and with favorable terms (e.g., interest rate)	Station-area projects may see a higher cost of capital relative to comparable projects elsewhere (higher interest rate, greater equity contribution, less favorable loan terms)	Novelty of design, departure from tried-and-true benchmarks, uncertainties of market size and consumer acceptance, greater costs relative to anticipated income (lower return)	Consider offering public subsidies to drive down other development costs, or subsidize interest rates directly. Consider using TEA-21, historic preservation, or other applicable sources of government assistance
		It may take longer or be impossible to find a lender to finance a novel station-area retail or mixed use project	Few lenders have loan officers versed in the development and financial evaluation of mixed-use, transit-oriented developments	Seek out experienced TOD lender on the mainland; look to the emerging Transit-Oriented Development REITs
<b>Marketing the Project</b>	Attract an ideal tenant mix at competitive rents to	Difficulty in attracting tenants to station-area developments	Multiple or fragmented ownership, as in a traditional town center	Consider formation of a Business Improvement Districts (BID) to oversee area-wide concerns and help to market and maintain the district.
			Tenants wary of leasing space in a non-traditional format	Use information to evaluate and sell the potential market; court tenants personally; consider financial inducements for key anchors or "first-in" tenants
<b>Project Management</b>	Maintain a safe and pleasant shopping environment with an up-to-date mix of retail tenants that service the needs of the target clientele			

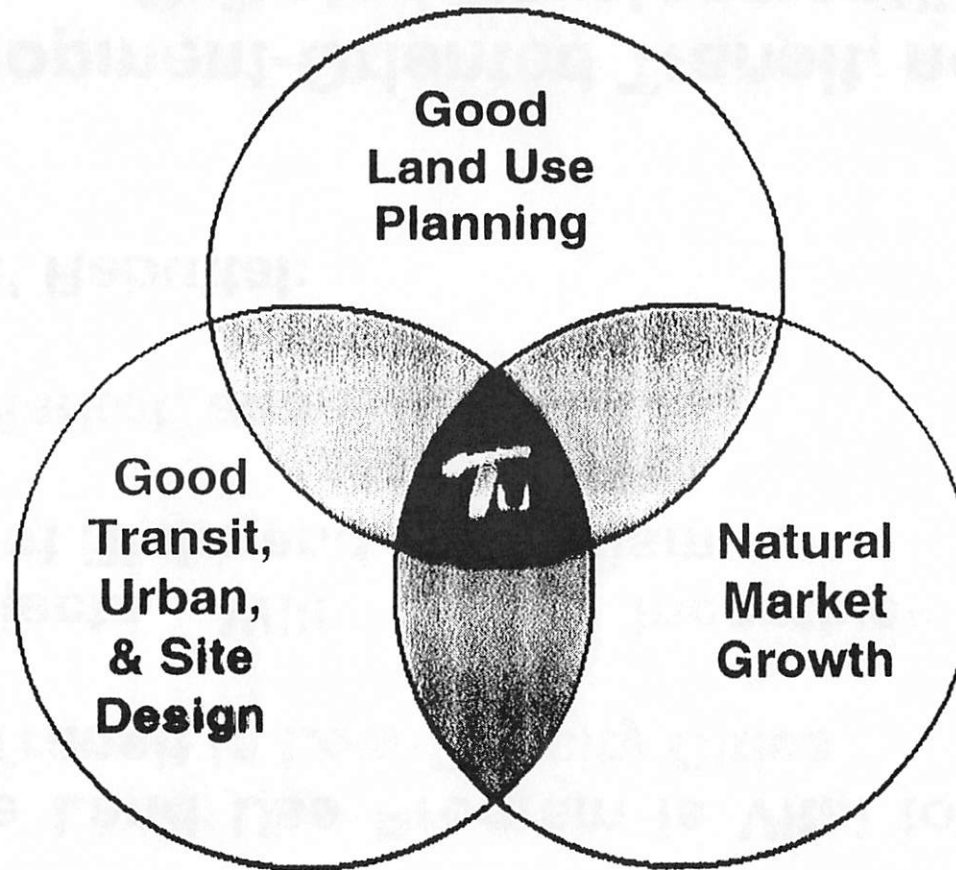
## **Conclusions to Date:**

---

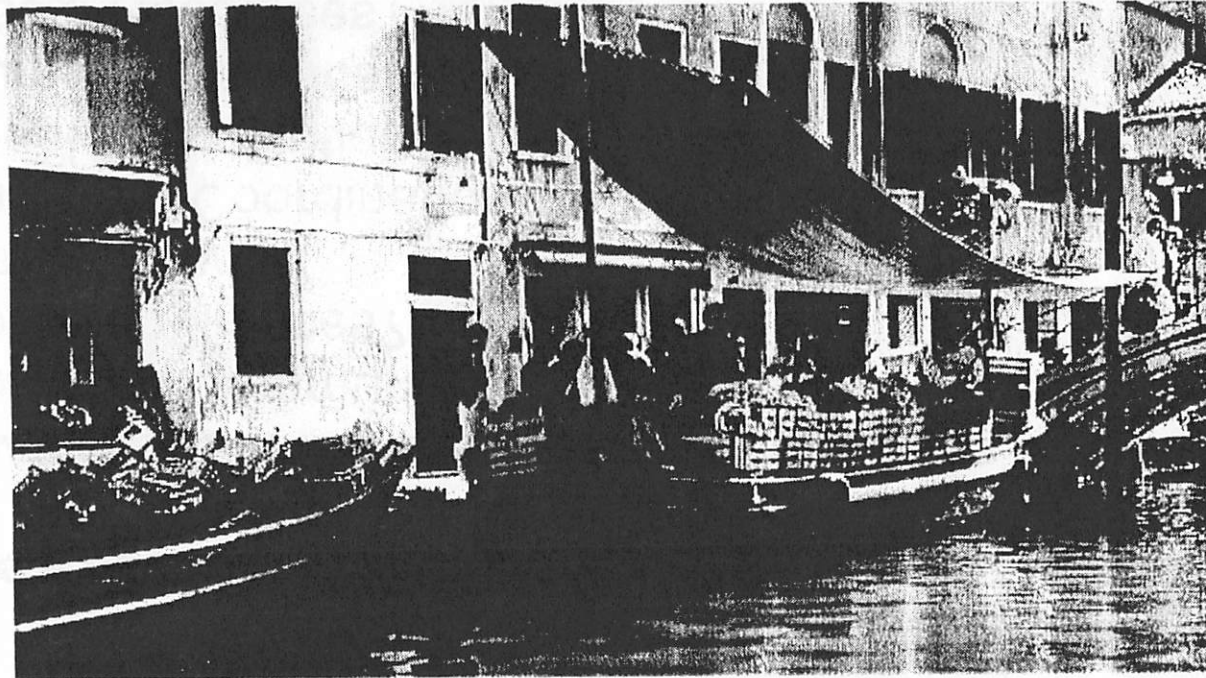
- **A Proactive Land Use Program Is Vital to the Success of Fixed-Rail Transit in Low-Density Cities**
- **Early Projects Will Need Incentives to Overcome Development Risks and Skepticism**
- **Know the Market, and Work With It**
- **Developers' Rebuttal:**

**“Development-Oriented Transit, not Transit-Oriented Development”**

# Troika of Station-Area Development Principles



## Adapt to Local Conditions



Assess the circumstances in your area  
and ask the following questions:

# **Future Questions: Assess the Circumstances in San Juan**

---

## ***Does the Public Sector Possess:***

- Awareness of Problems and Opportunities?
- Business Community Connections?
- Political Alliances?
- Market Savvy?
- Sufficient Coordination among Agencies?
- Legal, Constitutional, jurisdictional, Institutional Authority?
- Human Resources?
- Fiscal Resources?

# **Future Questions: Assess the Circumstances in San Juan**

---

## ***Furthermore:***

- Is the market in an expansion phase?
- Can San Juan support more retail space?
- Does the private sector have the expertise, skills, and inclination to pursue station-area development?
- What forces are pulling retail development in non-TOD directions?

# **Future Questions: Assess the Circumstances in San Juan**

---

## ***If conditions are not ideal:***

- What strategies and incentives will be effective as is?
- New Legislation?
- Comprehensive Station-Area Planning?
- Joint Public-Private Development?
- Additional Market Research?
- Interagency/Interjurisdictional Cooperation?