



## Enhancing the Dominant Mall: Maintaining Market Leadership By Building on Success

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**I**t would be easy for the developer to sit back and watch any development leading the market make or exceed its profit margins. The savvy developer though is looking for ways to make its star property shine even brighter. A study of three enclosed malls, which have recently gone through renovations or expansions, highlight the opportunities, challenges and rewards that re-energizing a development can bring to an owner. A little creativity, great communication and a lot of flexibility by the entire design and development team can produce a property that will continue to control the market, lead the industry, and heighten consumer expectations.

### **Help! Additional GLA needed – must be positioned right for today’s tenant demands**

Leasing professionals at successful developments often wish for additional space to locate tenants seeking entry into a geographic market. This leaves developers looking for creative ways to build more space or free up attractive frontage. Macerich’s Freehold Raceway Mall in Monmouth County, New Jersey is located in one of the fastest growing and most prosperous counties in the United States. This enclosed super-regional mall featuring Nordstrom, Lord & Taylor, Macy’s, JCPenney, and Sears serves a base population of 800,000-plus and welcomed 10.5 million visitors in 2007. Since it’s opening in 1990, it has experienced a very low vacancy rate and needed more GLA to fulfill a growing tenant demand.

To meet this need, a solution was developed to expand the property by an additional 90,000 SF of outward facing shops and two free-standing pads for restaurants along the entire front door façade of the mall. Doug Healy, Sr. Vice President of Leasing for Macerich noted that “the expansion allowed us to accommodate retailers we would not otherwise have been able to dueto prolonged and sustained high occupancy levels at the mall. With an expansion that was open air and lifestyle in nature, we were able to attract niche retailers who might not necessarily have been interested in a traditional, enclosed mall.”



*Freehold Raceway Mall in Monmouth County New Jersey served 10.5 million visitors in 2007*

Those tenants included first-to-market retailers Ann Taylor, Chico's, Coldwater Creek, Jared The Galleria of Jewelry, The Territory Ahead, and White House/Black Market. Further, it allowed for the addition of a bi-level Border's Books and Music and several new restaurants, The Cheesecake Factory and P.F. Chang's China Bistro, whose GLA requirements could not have been accommodated within the confines of the existing development. To do all this, additional parking had to be planned. Macerich maintained the existing parking ratio and relieved pressure on primary parking fields by instituting an employee parking program, whereby employees used one of two new parking lots located outside the ring road, during peak times. The result is a refreshed development positioned to continue as a leading retail center as the population continues to grow.

In some cases, the GLA is just about right, but interest from high-end tenants forces the developer to consider reorganizing a center. At Beachwood Place in Northeast Ohio, a General Growth Properties Inc. (GGP) enclosed mall, the center court and main exterior entry were enticing to a variety of high-end tenants. This Platinum-rated property was originally built in 1978 and first renovated in 1997. The challenge was the limited available frontage at the mall's primary entrance. This was due to a small, cramped food court located on the lower level off center court.

In 2007, through GGP's collaboration with **ka** a new configuration was developed, moving the food court to a more generous second floor location within existing space formerly occupied by the mall offices and a hair salon. Then, a minor addition of 7,000 SF created the balance of the floor area needed. The design for the new food court featured east-facing windows creating a light and airy environment that included an increase in GLA and seating capacity. An express escalator was added to maintain easy food court access for those seeking a quick lunch from the surrounding office market. On the lower level, new prime frontage was created, where the food court once stood, attracting tenants like; H&M, The Art of Shaving, & Lush Cosmetics.



*Beachwood Place, Northeast Ohio, food court before renovation*

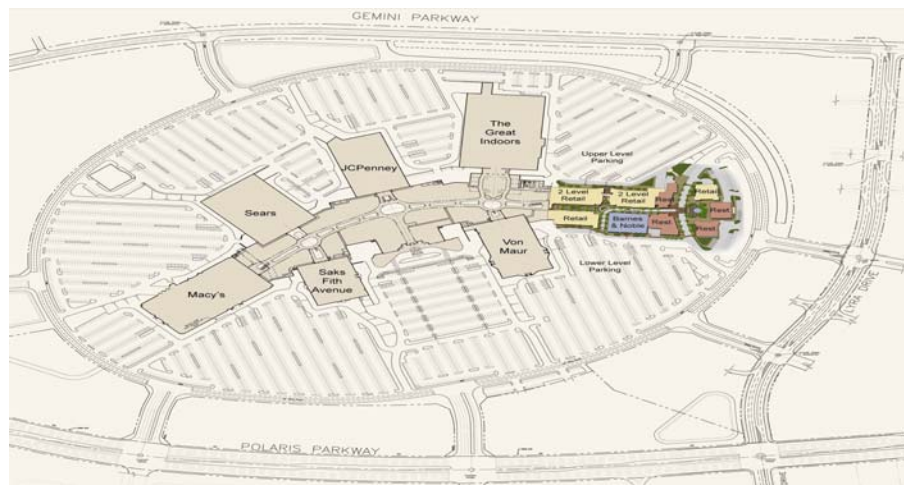


*Beachwood Place food court after renovation*

### Turning a Vacancy Into an Opportunity: Re-Inventing to Stay Competitive

The decreasing number of department stores can affect even the strongest performing mall causing a major footprint at the property to go dark. Glimcher Realty Trust's (GRT) super-regional mall, Polaris Fashion Place, which opened in 2001, was particularly susceptible due to its seven anchor tenants. When Lord & Taylor (L&T) exited the Midwest market, GRT moved to quickly to fill the vacant footprint with Von Maur. The significant challenge arose with the merger of Federated and Macy's, causing a redundancy at Polaris since it had both a Lazarus and a Kaufmann's store. GRT turned this challenge into an opportunity by re-purposing the Kaufmann's site into a two-level outdoor, pedestrian-oriented wing set to open in the Fall of 2008.

GRT, along with Meleca Architecture and **ka**, have designed a project that maintains half of the existing two-story Kaufmann's building. This section is being converted to lower level shops facing south along a pedestrian-only walkway. The upper level will have additional tenant space accessed directly off the upper-level parking field.



*Polaris Fashion Place, Columbus, Ohio*

In the center, a partially enclosed grand staircase links the two levels. Where the remainder of the Kaufmann's building once stood, two new buildings were erected to house additional retail shops, a bi-level Barnes and Noble and a Cheesecake Factory all accessed from the lower level. The new buildings are set 40 feet apart from the existing structure creating an intimate outdoor pedestrian zone and a new mall entrance. The advantages of this intricate renovation and expansion include the ability to attract larger tenants, like Barnes and Noble without squandering valuable retail frontage within the mall.



*The new plan allows for three pad-building sites to be located at the far end of the Polaris Fashion Place expansion.*

In addition, the new plan allows for three pad-building sites to be located at the far end of the expansion around an outdoor event space complete with a children's fountain. The value of this simple planning addition is substantial. Instead of losing customers to neighboring outdoor dining opportunities, these enhanced amenities will enable the Polaris customer to extend their stay on the property.



*New outdoor event space complete with a children's fountain at the Polaris Fashion Place, Columbus, Ohio*

Obviously, the hottest retail industry trend is the outdoor oriented shopping environment and the inclusion of public space. Along with the loss of a department store, this remains the biggest challenge to the enclosed mall. Freehold Raceway Mall and Beachwood Place also managed to tackle this trend through a simpler approach. Each approach provided an outdoor gathering place and the essential nighttime activity that only restaurants can provide.

Beachwood Place had already added one sit down restaurant to its tenant mix in 2005 with the addition of Maggianos into a vacated Eddie Bauer Home store. The two-level restaurant was complete with outdoor dining and upper-level banquet facilities but lacked the inviting outdoor atmosphere found at a nearby lifestyle center.

Along with the 2007 addition and renovations mentioned above, a McCormick & Schmick's Fresh Seafood was added immediately across from Maggianos. The two dining venues share a thoughtfully designed outdoor plaza, on the Mall's main entrance. This space features two patio-seating areas flanked by low curving walls, simple landscaping, a wide valet drop off lane and a dramatic kinetic sculpture. Shoppers and diners alike express great appreciation for the new dynamic this entrance brings to the center.



*The new entrance at the Beachwood Place*



*Pedestrian esplanade at Freehold Raceway Mall in New Jersey*

In contrast to Beachwood's small confined plaza, the new pedestrian retail esplanade at Freehold Raceway Mall creates a whole different atmosphere but achieves the same goal - activating an enclosed mall with outdoor space. This outdoor tenant space afforded Macerich the opportunity to bring tenants to the development that were highly desired by the community, brands that were also seeking entry into this dominant shopping center.

**We didn't see that coming! - Avoid budget-busting costs during construction**

Today's dominant malls vary in age as shown in our three case studies, but malls new and old are all subject to challenges when contemplating renovations. While it is smart to incorporate an outdoor wing to refresh a mall's image, this can open up costly code implications that may wreak havoc with the pro-forma. The most common code issue with exterior facing expansions is, "*can the new expansion be considered an extension of the covered mall building under the code?*" The answer is not simple and depends on the local jurisdiction's interpretation of the current code.

At both Freehold Raceway Mall and Polaris Fashion Place, the owner and architect initiated conversations with the city and local fire officials thus avoiding this potential roadblock with very early code investigations. On both properties, the expansion could be designated as an expansion of the covered mall building, even though the new mall space was technically outdoors. To achieve this, the following requirements had to be met: The exit way from the enclosed mall to the parking lot had to be treated in the same manner as the interior concourse of the mall, i.e. maintaining the required clear exit width between outdoor amenities, landscaping etc., until the designated end of the narrowed exterior plaza walkway. This exterior area also required emergency lighting to meet the levels that are required within the enclosed concourse. In the case of Polaris, the fire chief required that an ambulance be able to drive between the buildings along the pedestrian walkway. Since all this information was known at the beginning of schematic design, it was easy to budget for the required upgrades that were far less than having to provide expensive fireproofing assemblies.

The developer often assumes cost savings can be achieved when reusing portions of the existing mall building or its internal components. This may or may not be true depending on what upgrades need to be made to meet the current design objectives, building codes etc. These costs may not be evident without early investigations regarding the realistic cost savings and timing implications.

At Beachwood Place, a former tenant left two escalators that were installed in 1997. Since the renovation required at least one new escalator, it seemed logical that one of the devices could be reused. In the long run this was true, but only because the State required some, (but not all) of the code upgrades to be completed prior to final installation its new location. A few other considerations also had to be taken into account. The abandoned escalators met the desired design intent without significant upgrades. Further, the escalator could be shipped off site for re-furnishing. This opened up valuable space right in the middle of the construction zone, a crucial factor due to the fast track schedule.



*Freehold Raceway Mall, New Jersey*

Finally, is it really worth it to re-use an existing structure? The very first design meeting on the renovation at Polaris Fashion Place focused on that very subject where the Contractor, Architects, Structural engineer and Owner together developed a strategy for the existing building re-use. Within a week, the decision was made, keep half the building and tear down the rest. Without the preservation of the existing retaining wall, the aggressive opening date schedule would not have worked. This also proved to be cost effective as the structural engineer confirmed the existing footings were adequate for the desired configuration. Further, a simple detail sketched during the meeting by structural engineer and priced the next day by the contractor allowed for the desired increase in second level floor loading capacity. Lastly, the clear height was adequate, the owner agreed to maintain the existing x-bracing and two existing egress stairs and one service elevator that was salvageable. Even with all these advantages, the cost differential was minimal but the time saved in the schedule was the real decision maker.

**Something You Can't Live Without- Flexibility to meet tenant needs while still completing design and construction on time.**

It's all about flexibility, during design, during construction and especially during the ongoing property operation. This is an absolute must in order to maintain mall competitiveness. Designing the renovation for the worst-case scenario and your dream tenant mix is often the best approach. At Polaris Fashion Place, this resulted in upgrading the existing upper level floor deck from 75 PSF to 125 PSF to accommodate assembly floor loading for the entertainment oriented tenants. In the end, not all of this square footage will require that loading, but it can support that type of tenant in the future without the high cost of retrofitting after construction is over.

The integration of due diligence and industry expertise is key when planning for flexible space such as Beachwood Place's proposed restaurant building shell design. Initial cross sectional studies of the food court expansion, and the restaurant below, showed that aligning the expansion floor plates with the existing mall would leave the restaurant a clear height of less than 15'-0" above finished floor. The ownership and leasing team knew right away this wouldn't be adequate to sign the white tablecloth-dining venue they desired. The structural engineer quickly suggested switching from the conventional steel frame construction within the expansion, to a thickened concrete floor slab with poured concrete lower level columns. This gained up to 18" of clear height space in most of the space, a big help to leasing when they were selling the GLA.

Although challenging in many regards, the expansion or renovation of a dominant mall can take a property to new heights by keeping up with industry trends and adding additional square footage. Michael Glimcher, Chief Executive Officer of GRT, describes the Polaris Project as, "The redevelopment has been an incredible opportunity to enable some existing retailers to relocate to the new lifestyle section and to welcome a few retailers that previously were not part of our lineup. The addition of The Cheesecake Factory, the new Barnes & Noble, as well as Victoria's Secret, The Limited & Bath & Body Works, will make our already fantastic retail offering even stronger and provide our customers with the best of both worlds in terms of upscale enclosed and open-air experiences."

Success breeds success so a little thought and careful execution can be all that is needed to carry a market leader into another decade or more of market dominance.

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