

# CLASS A URBAN VILLAGE CORES FROM SCRATCH: THE GROWING TREND

*Class A cores have great promise for the real estate industry, retailers, corporate and professional tenants, municipalities and the public.*

by Christopher B. Leinberger

In the past two decades dozens of new Class A “urban village cores” have appeared in suburban areas across the nation—including such well-known sites as Costa Mesa/Irvine/Newport Beach south of Los Angeles, the Princeton Corridor in central New Jersey, Tysons Corner in northern Virginia and Perimeter Center north of Atlanta. Class A cores are high-quality, high-rise office-oriented districts whose predominant market segments include national or regional corporate headquarters and branches of leading professional firms. These cores also include regional shopping centers, business and luxury hotels, restaurants, entertainment facilities and often housing.

Despite their increasing visibility and importance, these prestigious office and retail cores generally have been the result of happenstance rather than planning. In almost every instance new Class A cores originated as Class C cores (devoted to business parks and light industry), changed into Class B cores (dominated by back-office space and business parks), and eventually evolved into Class A cores.

Now a new trend is emerging: Class A cores are being built from scratch at the outskirts of several metropolitan areas. Few real estate development trends hold more promise for the real estate industry, retailers, corporate and professional tenants, municipalities or the public. Yet to fully understand—and profit from—the new “Class A core from scratch” trend, we must understand how it fits into earlier real estate development patterns—specifically, the happenstance “first-generation” urban village cores.

## The Costa Mesa/Irvine/Newport Beach Success Story

The growth of the Costa Mesa/Irvine/Newport Beach urban village core typifies the original urban village

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development trend. Twenty years ago this area of Orange County, CA, was a mixture of housing tracts, scattered neighborhood retail centers and some undeveloped farm and ranchland. The first phase in the creation of the Costa Mesa urban village core involved the construction in the early 1970s of a regional shopping mall adjacent to Interstate 405 (the San Diego Freeway) known as South Coast Plaza. Next modest one- and two-story office buildings nearby were completed for local professional firms and light industrial facilities were built for aerospace and high-tech firms.

But Costa Mesa/Irvine/Newport Beach’s Class B and C phases were short-lived, because Orange County’s population and employment (especially regional-serving employment) were growing rapidly. In the 1980s, developers erected Class A mid- and high-rise office buildings in this urban village core.

Where permitted by zoning, mid- and high-rise office buildings became the norm in Costa Mesa/Irvine/Newport Beach. Mid- and high-rise office buildings met several needs: the corporate and professional tenants’ desires for prestigious space without paying rising land costs. Moreover, only mid- and high-rise office buildings and hotels created the necessary density and critical population

mass to support ancillary commercial, entertainment and cultural amenities.

Today, both the architecture and tenants of Costa Mesa/Irvine/Newport Beach's new office buildings often are equal to those of downtown Los Angeles and San Francisco. South Coast Plaza now has greater sales volume than any other shopping center in the nation; indeed, its annual retail sales surpass those for downtown San Francisco or Beverly Hills. This urban village core also boasts half a dozen business and luxury hotels.

As further evidence of its continuing growth and maturation, the Costa Mesa/Irvine/Newport Beach urban village core (Costa Mesa, to be specific) is the site of the several-year-old Orange County Performing Arts Center with its 3,000-seat theater. In the immediate vicinity, moreover, several large apartment complexes have been built at densities of 45 units per acre, and most tenants are younger business and professional people who often work in the nearby office buildings or South Coast Plaza.

Of course, the Costa Mesa/Irvine/Newport Beach first-generation urban village core is not an isolated success story. Across the nation first-generation urban village cores in suburban areas accounted for the vast majority of Class A office construction in the 1980s. In most cities—including Atlanta, Boston, Los Angeles, New York and San Francisco—the figure is 75% or higher.

### **Second-Generation Planned Class A Urban Village Cores**

Several farsighted developers—whose depth of resources has matched the breadth of their vision—have planned and created Class A second-generation urban village cores from scratch. Such activity, it must be stressed, should not be attempted by the faint of heart or the lightly capitalized. Such projects are fraught with risk, and they require long-term staying power to reap all the potential benefits.

But the rewards can be enormous because creating Class A second-generation cores from scratch, in essence, turns farmland and suburban ground into downtown real estate gold. Of course, values vary from site to site, and acquiring large tracts of land at low cost is important for a project's success. In these 50- to 100-acre cores, however, a 100-fold rise in property values over a decade or two is entirely possible. Moreover, Class A second-generation cores developed according to a carefully thought-out plan avoid some of the problems that have troubled many of the first-generation urban village cores.

One problem is the lack of genuine pedestrian activity and interaction, which is typically found in big city downtowns and small town Main Streets. In many of these first-generation urban village cores, office workers virtually are compelled to drive their cars in order to visit the nearby shopping mall, meet a friend for lunch or conduct the simplest personal errands. Why?

Most of the new office buildings are just that and nothing more. If the ground floor of an office building does include some retail space, the tenants usually are banks,

brokerage houses or upscale restaurants. All of these activities fit a building's prestige image, but they do not contribute much to the area's activity or human interest, particularly after 5:00 p.m. or on weekends.

Even if ground floor retail tenants provided more everyday services—and included, for example, a dry cleaner, drug store, florist or moderate-price sit-down restaurant—pedestrian activity would be hampered because of all-too-common man-made barriers. Sidewalks are few and far between. Most of the office buildings are surrounded by grassy lawns and parking lots, which isolate the buildings and their workers from neighbors. The six- and eight-lane arterial streets and boundary landscaping, which are typical of most first-generation urban village cores, act as additional barriers, inhibiting pedestrian activity and segregating different uses from one another.

Another shortcoming of first-generation urban village cores is the usual absence of cultural institutions, schools and colleges, government offices and entertainment facilities. Surely a rewarding quality of life in urban villages requires more than office work, shopping and a few movie theaters.

Another pressing problem is the lack of housing near urban village cores. Residential uses, when combined with proper pedestrian amenities, give people the opportunity to walk to work, thereby relieving some traffic congestion. Housing, moreover, provides a population base to support local commercial and cultural activities during off-hours, thereby strengthening these uses for office workers during business hours.

### **Las Colinas, Irving, Texas**

One of the first, if not the first, Class A second-generation urban village cores in the nation was Las Colinas in Irving, Texas. The 12,000-acre, 18-square-mile development between Dallas and Fort Worth has an urban core of nearly 1,000 acres, which is larger than downtown Dallas' central business district. Of course, along with the rest of Dallas, Las Colinas was severely affected by the mid-1980's recession in the Texas economy; indeed, such long-term costly undertakings as Las Colinas are particularly vulnerable to metropolitan economic difficulties. Although development came to a halt for several years, Las Colinas' difficulties were due to Dallas market conditions rather than deficiencies in its original vision and plan.

Once a working ranch, the Las Colinas property was kept intact by its farsighted owner who commissioned a master plan for the acreage and launched development of the property in 1973. Las Colinas was an immediate success; 16.85 million square feet of office and industrial/warehouse space were built in its first ten years.

Today Las Colinas boasts 22 million square feet of office and industrial/warehouse space—more than is found in many second-tier American cities. The Class A urban core is built alongside a 125-acre lake and is dominated by Williams Square, a 26-story tower flanked by two 13-story buildings. Las Colinas' roster of 900 resident firms

include such blue chip firms as GTE, Xerox, AT&T, Kimberly-Clark, General Motors and Hewlett-Packard. It also has attracted several dozen Japanese firms, including Hitachi, Sony, Panasonic, Pioneer and NEC.

Unlike other suburban Class A cores, Las Colinas has no regional shopping center—although a 100-acre site for one was included in the master plan and remains undeveloped. However, Las Colinas does have 150 retailers, including about 45 restaurants. Some 25 of those shops and restaurants are located in a European-style village at the heart of the urban core. The four hotels here have 1,100 guest rooms and two all-suite hotels under construction soon will add 268 more rooms.

In addition to its urban core, Las Colinas includes neighborhood retail centers, residential villages, university and college campuses and acres of golf courses and public parks. The community's daytime population is 150,000 and its nighttime population totals 50,000. Currently some 55,000 people work at Las Colinas, and about 20,000 people live in the residential villages' homes and apartments, many of which overlook the community's four golf courses.

One of the major reasons for Las Colinas' initial success was its strategic location in Dallas' growth path, bounded and intersected by major freeways and immediately adjoining Dallas/Fort Worth International Airport. The Dallas/Fort Worth metropolitan area has a population of 3.6 million, and in Las Colinas' formative years, it boasted a booming economy based on the oil industry, real estate, finance, petrochemicals and aerospace.

A spokesman for the Las Colinas Corporation reported that the development avoided bankruptcy during the recent disastrous years for the Texas economy and was converted this past June from a public to a privately held company. While the depressed local economy has not allowed Las Colinas to reach the level of development its planners and investors had hoped it would by now, Las Colinas has accomplished a great deal and offers urban planners and real estate investors/developers much to be learned. Certainly Las Colinas is well-positioned for future growth as Dallas' economy rebounds.

### **Owings Mills, Baltimore, MD**

The initial success of Las Colinas has encouraged other visionary developers to create Class A second-generation urban village cores from scratch or to consider such plans. One such project is Owings Mills in Baltimore County, Maryland.

In contrast with Las Colinas whose land was owned, planned and developed primarily by one individual, the emerging Class A core at Owings Mills is the product of cooperative efforts among governmental agencies and a score of developers. The county's intent in planning a Class A urban core at Owings Mills is to direct growth into an area that is best suited for it, thereby reducing development of agricultural and forest land—almost half of Baltimore County is still rural, according to senior county planner Jack Dillon. Located 14 miles northwest of

downtown Baltimore, the area targeted for new growth covers some 6,000 acres.

Long-range planning for the Owings Mills core began in 1970 when the area was selected as the site for the terminus of a Baltimore Metropolitan Transit Authority subway line. Owings Mills was officially designated by the county as a growth area in 1979; a specific plan was adopted by the Baltimore County Council in 1983; zoning classifications were established and development was begun in 1984.

Of the 18 office buildings and two hotels totaling 2.3 million square feet which are planned for Owings Mills' urban core, two office buildings totaling 330,000 square feet have been built and are 98% leased. Alexander and Alexander, an insurance company, is the major tenant. Another 270,000 square feet of office space are under construction for a new Blue Cross-Blue Shield headquarters building, and 110,000 additional square feet will be built in 1990.

The keystone of Owings Mills' urban core is an 820,000 square-foot shopping center developed by The Rouse Company, famous for its festival marketplaces in Boston, Baltimore and New York. The two-story mall has three major department store anchors plus approximately 160 other shops, restaurants and services. The Metro subway—which runs on surface rail lines outside of Baltimore—was extended to the Owings Mills mall in 1987, and the station has parking for 3,800 vehicles.

Approximately 17 mid-rise office, hotel, retail, restaurant, light industrial and warehouse projects totaling 13.1 million square feet are in various stages of development or plan review in the Owings Mills area, and county planners say 11,000 units of housing have been approved for construction. Housing projects being planned or under construction range from high-rise and mid-rise towers through single family homes to townhouses and garden apartments. These office, industrial, retail and residential projects are being undertaken by a score of different developers.

The Owings Mills development is a success in spite of a generally stagnant metropolitan area. As the Baltimore area redistributes, however, business executives are finding that this large, new, master-planned development is more convenient to their homes and has many amenities such as great transportation, high-quality shopping and nearby affordable housing.

### **Stonegate/Denver, CO**

One of the most visionary new Class A second-generation urban cores is planned for the Stonegate complex in metropolitan Denver's southeast quadrant. The developer is a subsidiary of Mobil Land Development Corporation. Stonegate's Class A urban core will encompass 507 acres; 78 acres will be set aside for the pedestrian-oriented regional shopping center; 429 acres will be reserved for mid-rise and high-rise office buildings; and an additional 60 acres will support retail and power centers near the mall. Additionally there will be 673 acres developed for

residential use and 14 acres for neighborhood retail development.

Although metropolitan Denver's economy has been growing slowly for the last few years and its real estate markets have been stagnant, Stonegate offers significant promise as a Class A urban village core. Of importance is the fact it is located in Denver's southeast quadrant, the metropolitan area's most dynamic area. The Rockies west of the city geographically constrain development in that area, and the southeast quadrant is near existing business areas and high-end residential districts. However, close-in sections of the southeast quadrant, such as the Denver Tech Center area, have become congested. As a result there is a need for another urban village core located further out.

Of the outlying southeast quadrant sites, Stonegate has several advantages. It is directly accessible from one of Stonegate's two interchanges on Denver's new E-470 circumferential beltway. In fact, it occupies the southeastern-most spot on the E-470 before the highway turns northward in its loop toward the proposed new Denver airport. Stonegate is highly visible from E-470, Jordan Road and nearby Highway 83 (from across Cherry Creek).

The regional shopping center will act as the community's town center and the focus of its Class A urban village core. The mall will not be designed in the usual configuration, with shops lining a large-scale central gallery. Instead Stonegate's mall will provide open-air sections with a village scale and will offer specialty shops and cafes in a more intimate atmosphere. The mall will include recreational facilities such as an ice rink and other attractions that will create a vibrant nightlife with cinemas and nightclubs.

Stonegate's regional shopping center will be situated adjacent to a hotel and the high-density office district. Much of the parking for the office building will be located in the mall's parking garage, thereby eliminating the need for vast parking lots which surround and isolate the office buildings in most unplanned, first generation urban village cores. Stonegate's parking arrangements will allow a higher-density commercial/office district to surround the mall and will provide a genuine "downtown" feeling.

However, unlike traditional downtowns or unplanned urban village cores, Stonegate's extensive greenbelt system of walkways and recreational facilities will create pleasant pedestrian linkages between the buildings. Office workers and local residents will not need to drive their cars to the mall or from one building to another, thereby reducing traffic congestion. The location of these diverse uses in close proximity will foster an almost continuous flow of people between the mid- and high-rise offices, hotel, shopping center and recreational facilities and create a true Class A urban village core.

## **Conclusion**

Carefully planned Class A village cores like Stonegate create benefits for developers, municipalities, corporate and professional tenants and the public.

Developers find that the advantages of planned, second-generation urban village cores make these projects more acceptable to the increasingly powerful populist leaders of no-growth/slow-growth movements and their political allies. Developers also find their proposed regional shopping centers and office buildings are more marketable because retailers and office tenants recognize the advantages of locating in a core that has a critical mass of services and amenities.

Municipalities stand to benefit from well-planned Class A cores because the cores attract more growth and increase revenues yet generate less pollution and stress on the infrastructure. Residents of the cores need not drive as often, and when they do take the car, the distances between their home, work and entertainment facilities are shorter. As a result, automobile pollution is reduced, and the traffic burden on streets and freeways is lightened.

Many Class A second-generation urban village cores allow the public to enjoy the original promise of the urban village, including shorter commutes between home, work and entertainment. Furthermore, the increased densities in the Class A cores provide the public with the lifestyle, conveniences and pedestrian-oriented amenities of traditional downtowns.