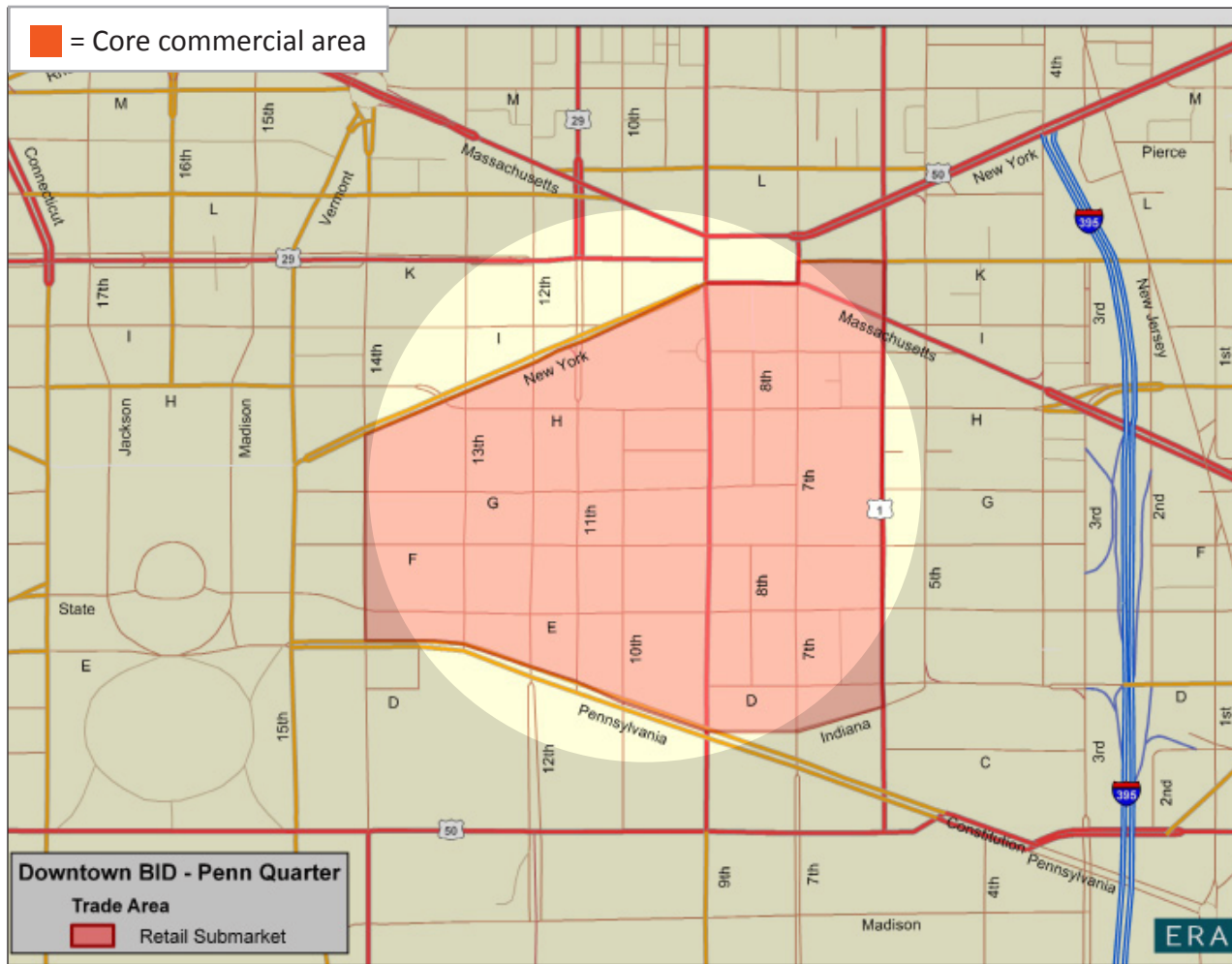


## Downtown-East End



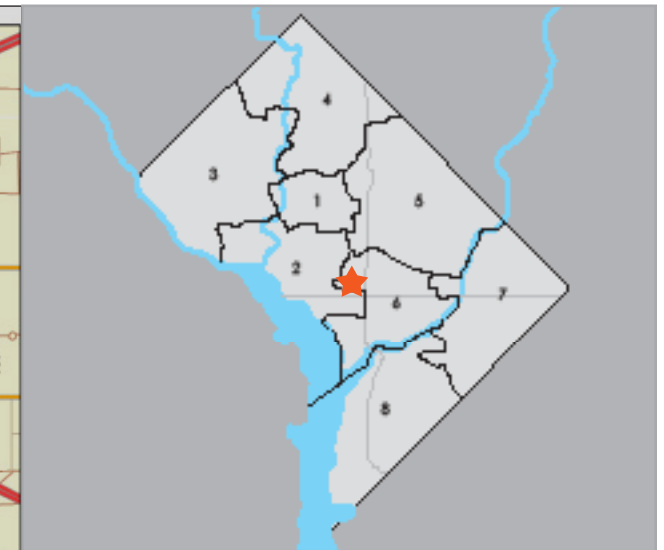
## Downtown-East End Strategic SWOT Analysis





## Overview

This area was formerly a bustling retail center, but with the growth of the suburbs, retail in the core declined. However, there is renewed interest in downtown becoming a retail destination district once more. It has many components of a successful tourist and entertainment hub, including world-class facilities such as the Verizon Center, museums, theaters, and restaurants. It is also a key employment center, with office uses located throughout the submarket. Located north of the National Mall and at mid-point between the White House and the Capitol, this privileged location is pivotal for the future of the larger downtown DC retail. It has well-connected transportation systems, with bus and Metro stations, as well as smart bike locations.



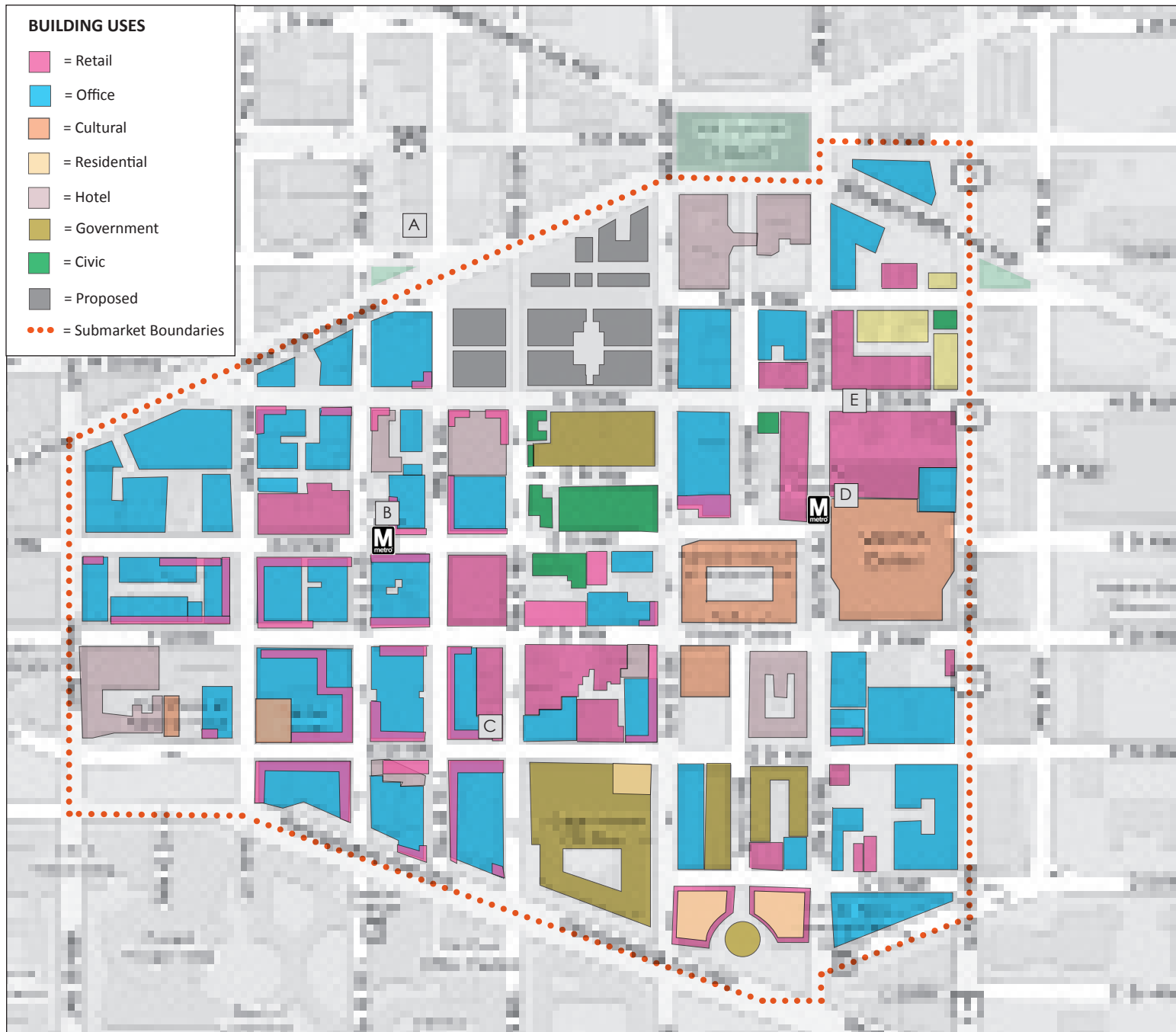
## Boundaries

North from New York Avenue and K Street south to Pennsylvania and Indiana Avenues, and bounded east and west by 6th and 14th Streets NW

## Zoning

Downtown-East End is zoned entirely as a Downtown Development commercial district. The specific commercial zoning varies within the submarket: just south of Mount Vernon Square, it is classified as a major business and employment center (high-bulk), while it is a central business district south of H Street. The area alongside Pennsylvania Avenue has its own Pennsylvania Avenue Development zoning. Just south of the submarket, the National Mall and White House are a large expanse of government-owned property, while the area further north of the submarket is largely residential.

# Introduction



*Downtown-East End's 3 nodes form an easily walkable "Loop" that is completed by 12th Street. This Loop has 5 major anchors (represented as dashed lines on the map). These include: the Verizon Center/Gallery Place; new retail and entertainment at F and 10th Streets; the Shops at National Place; Macy's; and the Old Convention Center site.*

## 1 F Street Shopping Core

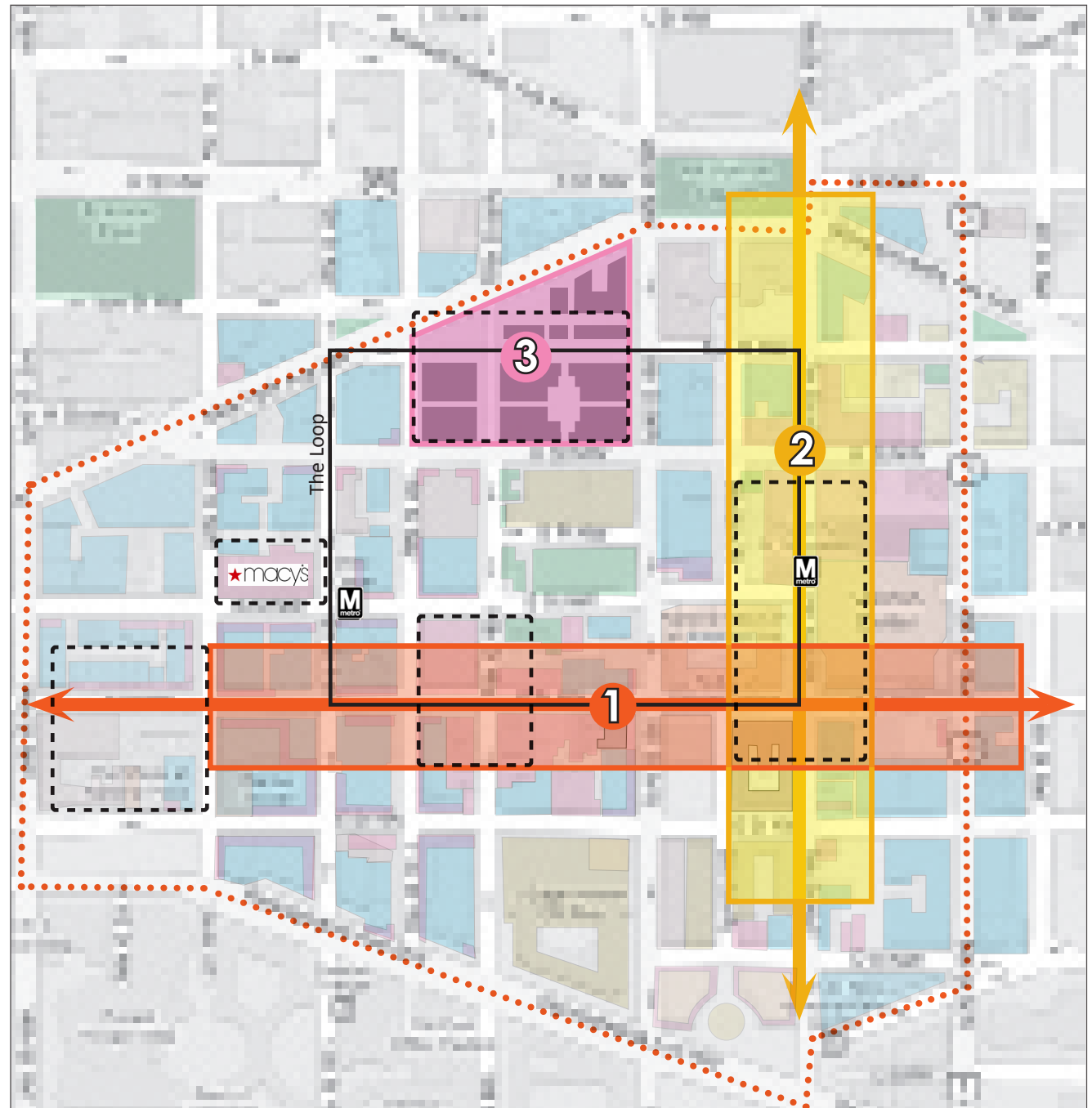
There are signs that retail is making a comeback on this traditional shopping street, though there are still patches of vacant retail. Museums and retail anchors like the former Woodies Building animate the street, which has good depths, although parcels like the Shops at National Place are underutilized.

## 2 7th Street Entertainment Core

7th Street's lively entertainment and dining venues make it the most successful part of submarket. Its large-scale anchors, the Verizon Center and Gallery Place, as well as numerous bars and restaurants make it one of the few areas in the downtown core that is active at night and on weekends.

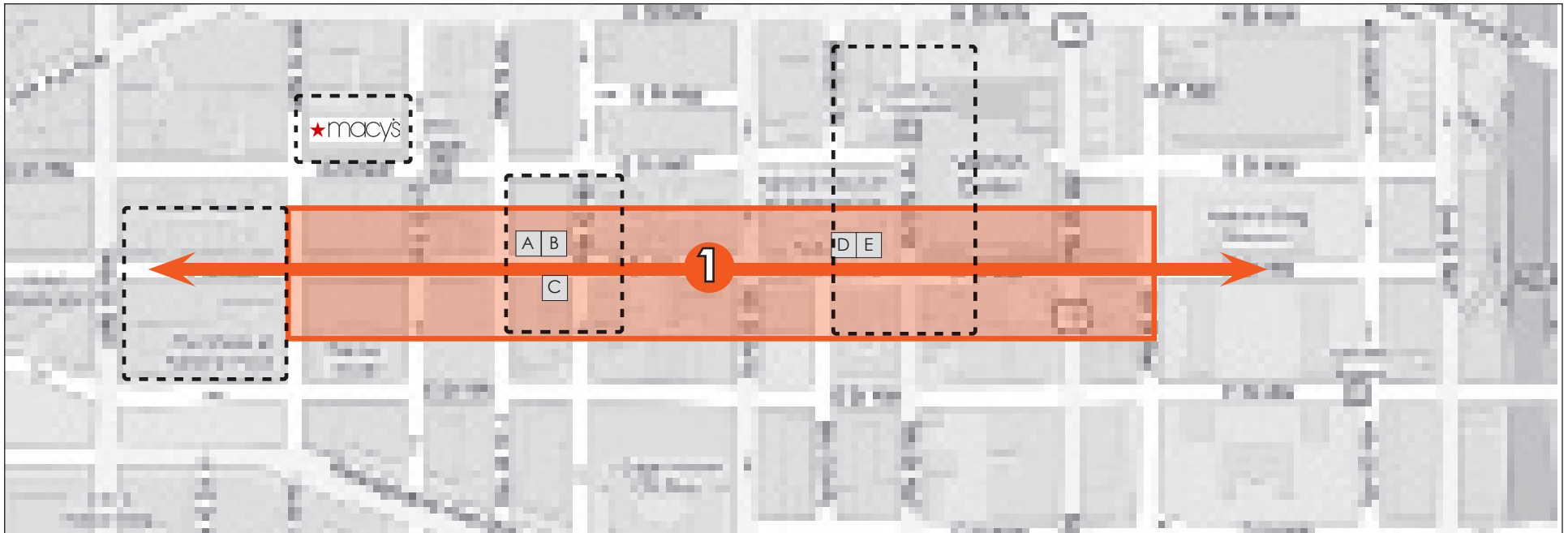
## 3 Old Convention Center Site

This 10-acre parcel is critical for the retail success of the downtown core. This site represents a rare opportunity to add residential density into this submarket, which in turn can support significant development that provides enough critical mass for a vibrant shopping hub.





## Retail Node 1: F Street Shopping Core



### NODE 1

H+M  
West Elm  
Joe's  
American Apparel  
McCormick & Schmick's  
Creamery  
F Street Sports Bar  
Madame Tussaud's  
National Portrait Gallery  
Shops at National Place:  
- Filene's Basement  
- Ann Taylor  
- Banana Republic

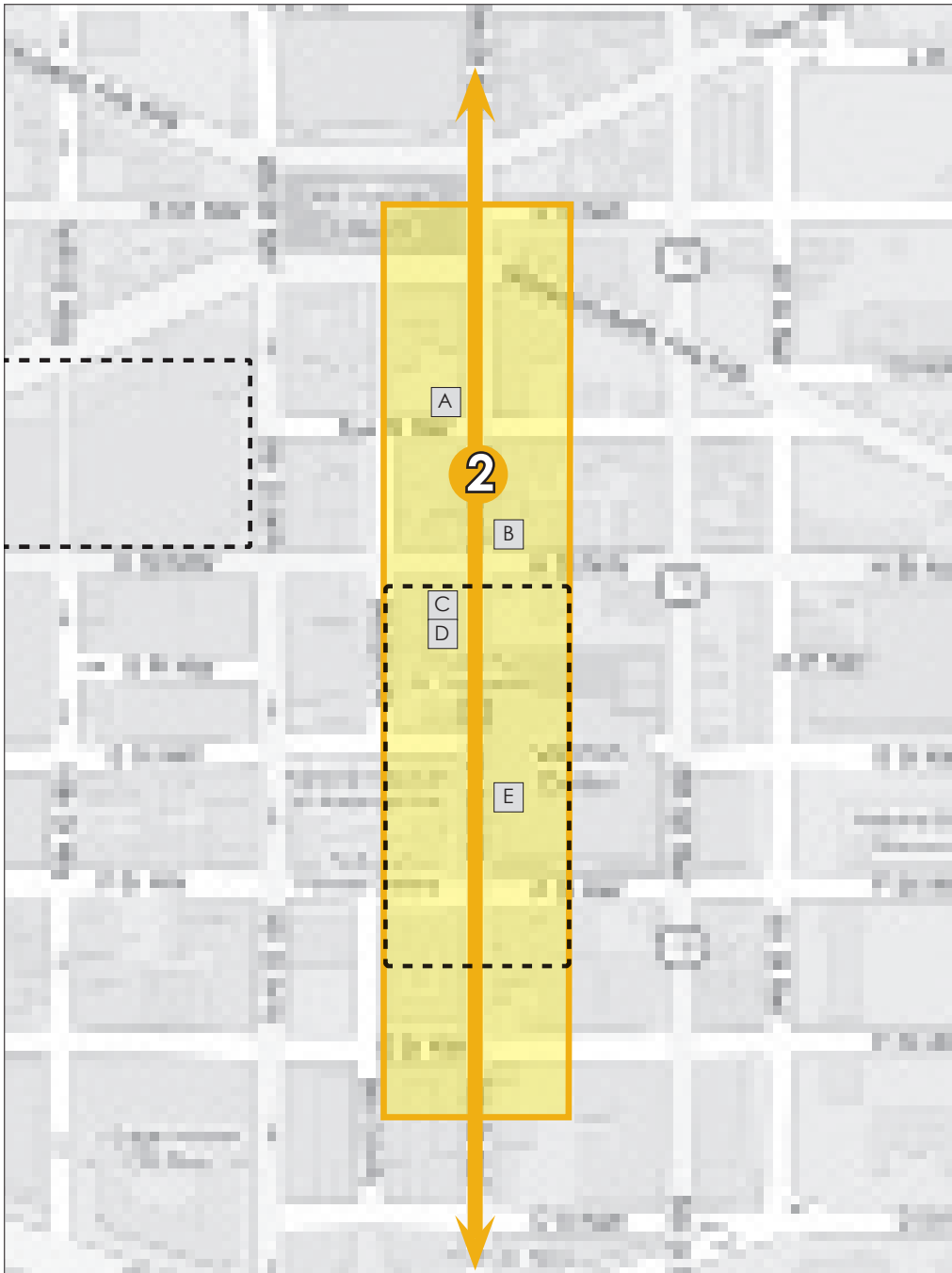
Zara  
Jos. A. Bank  
Co Co Sala  
Gordon Biersch  
Mia Gemma Cowgirl  
Hard Rock Cafe  
Ristorante Tosca  
Zola Restaurant  
Int'l Spy Museum

*Note: Tenant list does not include all businesses located in the submarket*

F Street has excellent potential to become an active retail corridor that acts as the southern boundary of the Downtown-East End Loop. In addition to the **Verizon Center**, this node's retail is anchored by the **old Woodward & Lothrop building** (between 11th and 10th Streets), which currently houses thriving soft-good retail such as H&M, Zara, and West Elm. Across the street, another cluster of chic stores strengthens this area's shopping appeal. Other retail in this node, however, is less successful; for example, **vacant retail** still occupies some of F Street's central area between 10th and 9th Streets. Similarly, the **Shops at National Place** just west of 13th Street has great potential to be an anchor but currently does not act as such; while its food court is very popular with office workers, its retail is tucked below ground-level and does not activate the neighborhood, especially after business hours. F Street's greatest strength currently lies in its **cultural anchors**, which draw thousands of visitors every year. These museums include: the National Portrait Gallery, the International Spy Museum, Madame Tussaud's Wax Museum, and the National Building Museum.



## Retail Node 2: 7th Street Entertainment Core



7th Street, a recently established food and entertainment hub, is currently the liveliest part of Downtown-East End. It is anchored by the **Verizon Center**, a super-regional sports and concert venue, as well as **Gallery Place**, a shopping center with a movie theater and bowling alley. In addition to these 2 large-scale offerings, numerous **restaurants and bars** (ranging from quick-bite shops to trendy, higher-end venues) also make this a 18/7 neighborhood. The northern end of this node contains the district's **Chinatown**. While these handful of Asian restaurants and small businesses are not a regional draw, they create a unique "sense of place," especially with the prominent **Friendship Arch**. This area is also an independent transportation hub for several

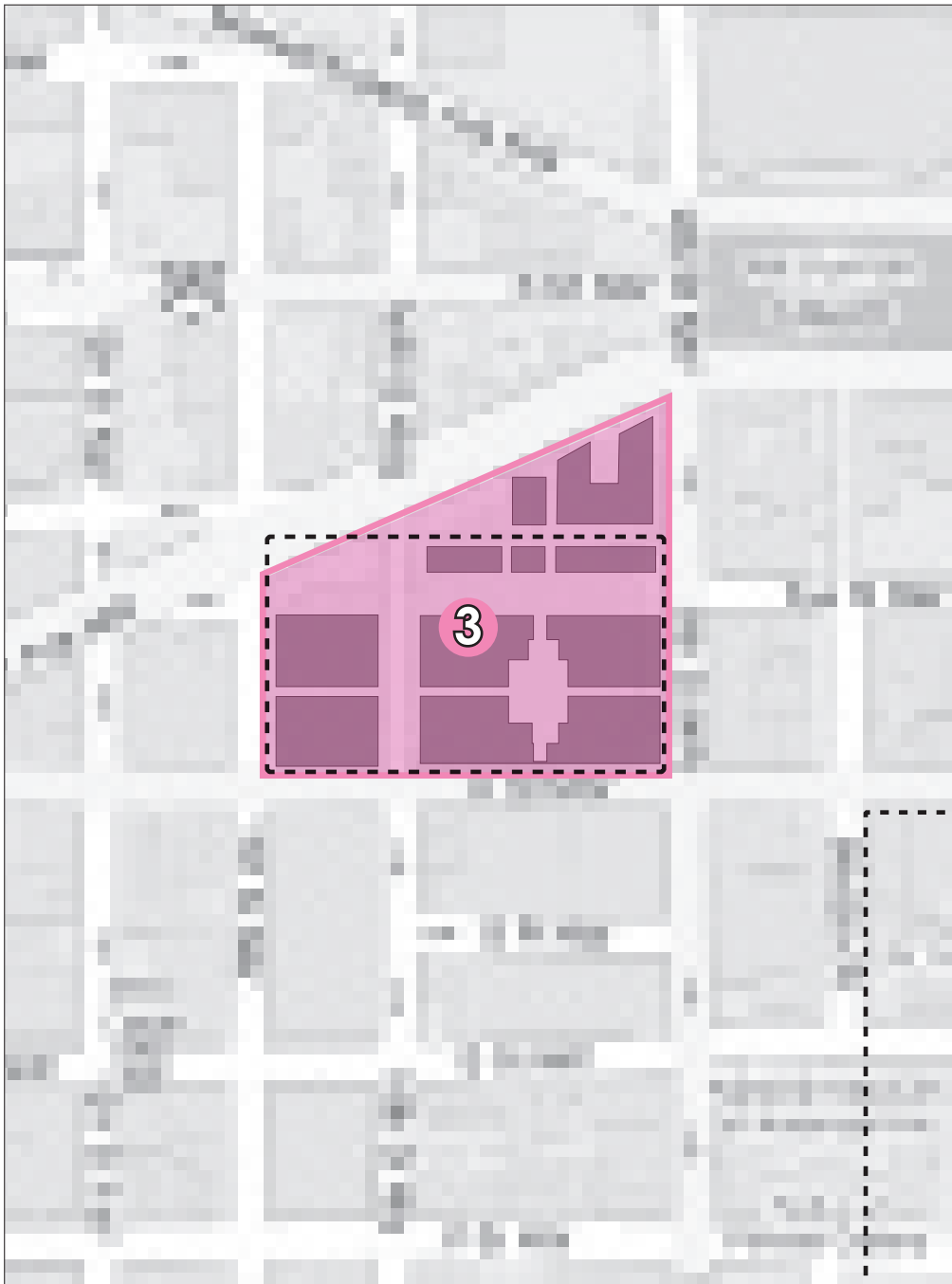


### NODE 2

Legal Seafoods	Szechuan Gallery Restaurant
Ruby Tuesday	Jackey Cafe
Ecco	Eat First Restaurant
Comfort Shoes	Chinatown Market
La Tasca	Tai Shan Restaurant
Potbelly	Chinatown Restaurant
California Tortilla	New Big Wong
Chop't	Wok 'n Roll
Radio Shack	Chinatown Liquor
Fuddrucker's	<b>Gallery Place:</b>
Bed, Bath & Beyond	- Haagen Daaz
Ann Taylor Loft	- Sushi Go Round
City Sports	- Thai Chili
Urban Outfitters	- Bar Louie
Washington Sports Club	- Lucky Strike Bowling
Starbucks	- Aveda Institute
Fado Irish Pub & Restaurant	- Regal Gallery Place Theater
Da Hsin Trading Co.	- Zengo
Kam Fung Seafood	- Clydes
Vapiano	- AT&T Mobility

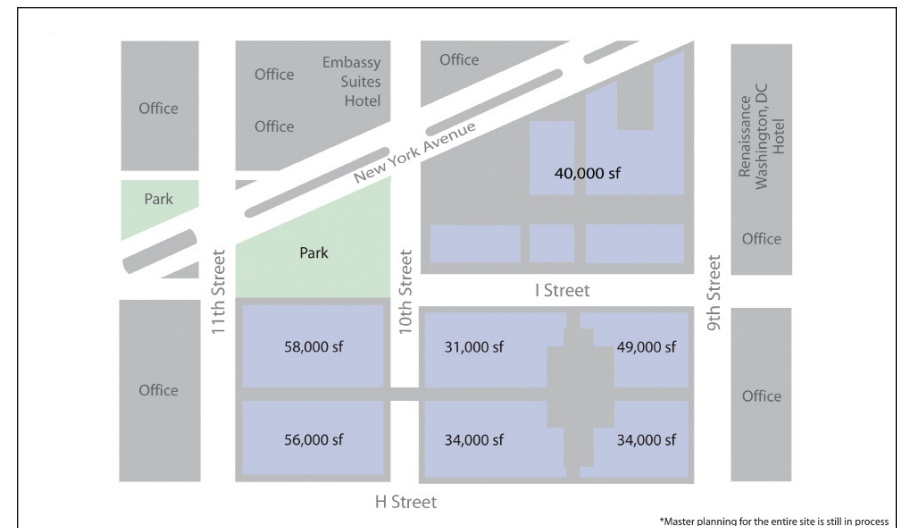
*Note: Tenant list does not include all businesses in submarket*

## Retail Node 3: Old Convention Center Site



This 10-acre vacant parcel is the most pivotal project in the submarket. It represents a unique opportunity to transform a significant amount of land next to the downtown core into a new city center; it is the missing link in the anchoring of the East End and the "Loop." Therefore, it will play a large part in the success of retail downtown.

This site is important for building critical mass to support retail into the Downtown-East End submarket and nearby areas. Fittingly, 670 units of housing are planned in the approved master plan. The master plan also proposes 350,000 sf of retail (30% of which must have unique local tenants). The project also calls for 465,000 sf of office, a 400-room high-end hotel, and 1,700 underground parking spaces.





## Streets & Blocks

Currently, this submarket's most active corridor is 7th Street. Significant depths on this street's eastern side accommodate large anchors like the Verizon Center and Gallery Place, while smaller depths on the western side host an array of restaurants and bars. The streetscape here is in excellent condition, with brickpaving, regular plantings, globe lampposts, and attractive storefronts. F Street is another corridor that has potential as a major retail/cultural spine because of its good depths and shopping and museum anchors. These 2 streets form a critical part of the submarket's "Loop," which is completed by 12th Street, as well as streets near the Old Convention Center site (I Street will most likely be a major boulevard). Other key streets include auto-dominant New York and Massachusetts Avenues.



## Intersections

The submarket is a large grid with 33 intersections that are mostly non-hierarchical. Key intersections are difficult to discern because their corners are occupied by non-retail uses such as banks and ground-floor office. Currently, the liveliest intersections occur at 7th and H Streets, near Chinatown's Friendship Arch, and at E and 10th Streets, near the Tourist Welcome Center. Another bustling intersection, which is key to the Loop, is 7th and F Street. This intersection is already activated by the Verizon Center and the National Portrait Gallery; as F Street develops into a more vibrant retail corridor, this intersection's importance will read more clearly. Other Loop intersections should be reinforced, including F and 12th Streets, as well as new intersections within the Old Convention Center site.



## Buildings

Downtown-East End is dominated by office high-rises, many of which feature ground-floor retail. In addition to offices, the submarket also has a diversity of other building types. These include entertainment anchors like the recently built Verizon Center and Gallery Place, as well as historic buildings like the MLK Jr. public library and old Woodies building. The submarket also features numerous museums, hotels, and theaters which draw a growing number of visitors each year. Compared to other building types, retail is not as prominent in this submarket. With the exception of the former Woodies building and the Macy's on 12th Street, there are few retail anchors in the submarket. Modern, large-scale retail development at the Old Convention Center site will help remedy this.



## Alleys & Service

Unlike many other submarkets, Downtown-East End is not served by a series of narrow alleys. Rather, individual buildings tend to have their own dedicated service space. Though this is a more modern configuration, some tenants who are accustomed to smaller, more traditional service and loading spaces may find this problematic. The Verizon Center and Gallery Place, two of the submarket's newest redevelopments, use 6th Street as a secondary service road; similarly, parts of E Street function as a service road to F Street.



## Strengths

- Downtown-East End's office market, which has over 200,000 daily employees, is super-regional; this massive workforce could support significant soft goods retail tenants in addition to restaurants and service retail
- Downtown-East End has a thriving hospitality market; its hotels benefit from the city's strong tourist trade and business travelers
- Downtown-East End's entertainment and cultural attractions are super-regional in scale and they are also tourist draws (for example, the Verizon Center hosts over 220 event nights per year, and over 700,000 theatergoers attend productions at the submarket's numerous theaters)
- There are over 1.5 million residents within a 10-minute drive of the submarket; moreover, the pipeline market for residences within Downtown-East End, as well as new residential units in the Penn Quarter, is robust
- Downtown-East End is ideally positioned in the heart of downtown DC between the White House and the Capitol; it is accessible by numerous District and regional arteries, including Massachusetts, New York, and Pennsylvania Avenues
- The submarket has excellent access to public transportation, including 2 Metro stations within its boundaries that access all 5 rail lines (Gallery Place-Chinatown and Metro Center) and 5 more stations within 1/2 a mile
- The Downtown Retail Tax Increment Financing incentive is an important package to attract retailers to the downtown, with a total of \$20 million authorized and rolling applications. The City is committed to bringing shopping and department stores.
- The submarket's proximity to the sights of downtown DC and the National Mall attracts many visitors to the area; tourists also come to see Downtown-East End's own attractions (e.g., the National Portrait Gallery, the Newseum, Madame Tussaud's, the headquarters of the FBI, etc)
- Key parcels across the submarket are controlled by a few owners, making development strategies for the entire district easier to coordinate and, therefore, more likely to be implemented
- 7th Street has positioned itself as a food and entertainment core with a strong event-driven anchor (the Verizon Center); similarly, F Street near Metro Center has a critical mass of retail square footage (e.g., Woodies building and facing shops, Macy's, Shops at National Place)
- The submarket has the genetics for a functional downtown core; it has a workable system of streets and blocks already in place and its infrastructure is generally in excellent condition.

## Weaknesses

- Retail lags behind all other real estate sectors (e.g., office, residential, hospitality) in this submarket; many existing anchors are weak, and some stores along busy streets (such as F Street) are vacant, underparked, too shallow, and do not reflect customers' needs
- The Shops at National Place is well-positioned as a western anchor for the F Street retail corridor; however, its retail is not highly visible and it caters primarily to daytime office employees
- Poor retail expression, such as stark storefronts and retail in generic and/or dysfunctional spaces, makes shops uninviting to customers
- While the submarket has a strong office and tourist population, it needs more full-time residents, as well as the ability to draw consumers from across the District and beyond, to support a long-term retail solution; the Old Convention Center site is crucial for building this critical mass into Downtown-East End
- Although the submarket is rapidly changing, much of it still has limited evening and weekend activities; this limits the number of people in the submarket outside of business hours and, therefore, makes a critical mass of retail difficult to achieve
- Key intersections are occupied by banks, ground-floor offices, and other impediments to retail; this merchandising pattern makes intersections indistinguishable from each other and stunts synergistic retail development at key points
- Lots are often difficult to customers to access

## Opportunities

- Downtown-East End is a true lynchpin for the entire downtown core; it is a critical submarket whose success or failure will dictate the perception of DC on a national scale
- The Old Convention Center site represents a huge opportunity to build up the residential density downtown necessary to support substantial retail; it is one of the greatest opportunities for the District to become a world-class city from a retail perspective
- Increased residential density will make opportunities for an expanded merchandising mix that includes anchors like grocery stores, fitness centers, and fashion retail. Also, the urban form and density great assist retailers in a down economy.
- Downtown-East End's three major nodes (F Street, 7th Street, and the Old Convention Center site) form an easily walkable "Loop" that is completed by 12th Street's Metro Center and Macy's; both marketing and redevelopment efforts should promote this Loop concept
- Repositioning the Shops at National Place to make its retail more easily accessible and visible to the broader market will make F Street a better retail corridor; similarly, future development of theater and entertainment will continue to strengthen the 7th Street entertainment core
- Allow 12th Street to evolve as the western segment of the Loop; with successful anchors at both ends (the Old Convention Center site and an improved Shops at National Place), as well as a busy Metro station and department store, its gaps will fill in over time
- Compete as a 18/7 location to succeed as a regional retail destination by expanding evening and weekend activities

## Threats

- Restrictions regarding local/independent retailers at the Old Convention Center site may stunt development in its early stages; it will be a challenge to secure enough tenants to sustain the commitment to having 30% unique local tenants (defined as having 6 or fewer stores nationwide)
- The O Street Market just to the north, as well as the Safeway at CityVista just to the east, could make another full-service grocery anchor unlikely in the Downtown-East End submarket
- Lack of submarket branding to reinforce its distinct residential and retail identity will prevent it from becoming a thriving neighborhood that functions outside of business hours
- Tenants operating nationally are hesitant to open new stores because of uncertainty in the national market; this could negatively affect retail development projects in the downtown core, especially at the Old Convention Center site
- It is uncertain whether the Old Convention Center site will have enough drawing power to compete with already established regional retail hubs such as Tysons Corner, Fashion Centre at Pentagon City, and Chevy Chase, MD
- Major U.S. department stores currently receive large subsidies (often \$15 to \$35 million) to move into a typical suburban mall. Thus, they may expect that in DC.
- Suburban store locations of many U.S. department stores have already captured DC residential demand, may see little incentive to open a large-scale department store in Downtown DC.
- Restaurants, while important in creating a vibrant pedestrian environment, must be balanced with soft goods retail in order to achieve a merchandising mix with the ability to draw consumers with diverse wants and needs, as well as create an ideal pedestrian experience

## Submarket Summary

The submarket is defined by the boundaries of the Downtown Business Improvement District (BID). It covers a 140-block area of approximately 825 properties within the area north from New York Avenue and K Street; south to Pennsylvania and Indiana Avenues, and bounded east and west by 6th and 14th Streets NW.

The Downtown BID boundary includes the Penn Quarter, Gallery Place, Chinatown, McPherson Square, Federal Triangle, Midtown, and Franklin Square neighborhoods.

The retail strategy analysis covers the F Street shopping core that includes the traditional central business district, the 7th Street Entertainment corridor, and the planned redevelopment site of the former Washington Convention Center.

Beginning in the 1960's, Downtown DC lost its dominant retail market position with the growth of suburban retail, loss of department store anchors through closings and consolidations, and disinvestment in properties as the quality of tenants and rents declined. However in the past decade, Downtown has begun to be established as an emerging destination for retail and entertainment. With the redevelopment of the old convention center site, Downtown could be positioned once again as a significant retail destination.

A major change is the introduction of more residential developments into Downtown. The number of residential units within the BID has increased from 1,600 in 1990 to 5,700 in 2007. Approximately 1,100 additional units are in the development pipeline for construction by 2012.

One challenge facing the BID will be how to provide neighborhood-oriented retail offerings in a submarket that is developing as a regional destination with higher first floor rents than neighborhood retailers can typically afford.

Competition for Downtown's future position as a regional retail center originates within the District from Friendship Heights and Georgetown

and from close in and very competitive regional shopping centers in the suburban metro market area such as Pentagon City, Bethesda and Montgomery Country and Tyson's Corner..

## Organization

The Downtown Business Improvement District (BID) was established in 1997. It acts as a assessment-funded nonprofit that works to revitalize the city's downtown core. As a special taxing district, the BID collects funds from property owners and provides services and capital improvements to benefit the district.

The BID provides services such as hospitality management, public safety, public space programming and maintenance, streetscape enhancement, homeless services and transportation improvements, economic development, marketing, and communications.



# Approach and Typology

## Approach

The DC Retail Action Strategy assessed five submarkets that are established commercial districts with recognized market positions, but which may be in transition. The assessment was intended to address key strategic issues such as underperformance and current/future retail positioning, with a view to protecting, maintaining and/or enhancing market share.

Some of these submarkets have been the subject of past studies; demographic data on the primary and secondary markets has been provided, but in-depth demand analyses were not completed, as their greater markets are not primarily defined by geographic proximity, but by their destination-oriented offerings more regional and characteristic that appeal to a larger trade area .

The strategic area retail assessments include:

- A definition of boundaries for the commercial district (“submarket”)
- Demographic and economic information about the immediate residential markets (“trade areas”). Primary trade areas generally represent one quarter-mile from the submarket; secondary trade areas generally represent one half-mile from the submarket. Census block group base-line data were assigned to the primary and secondary areas
- Characterization of the type of district, how it functions and its positioning within the market
- An identification of strategic issues – strengths weaknesses, opportunities, and threats
- Recommendations for physical, policy and zoning, merchandising, organizational, and development strategies to support the submarket

## Typology

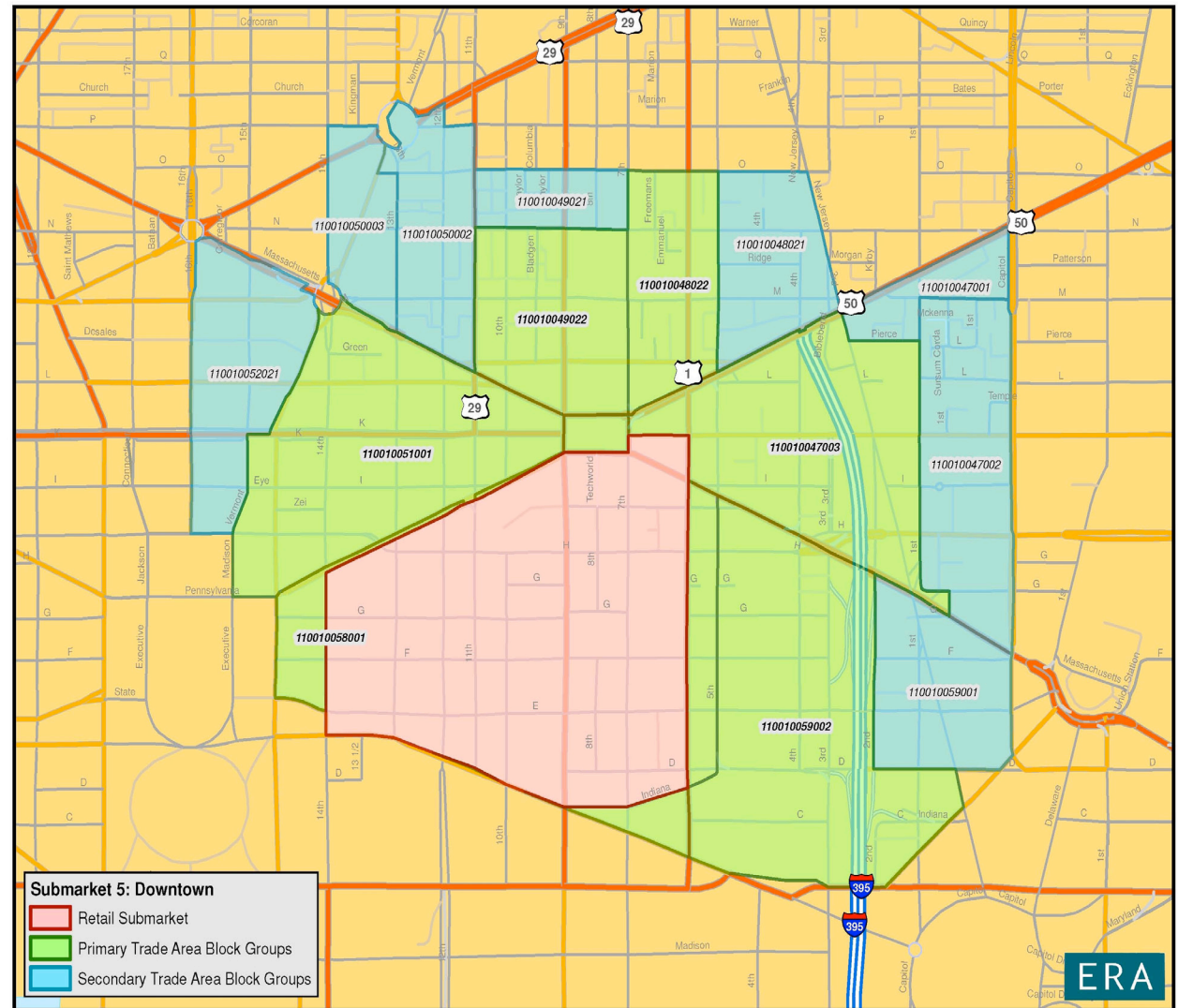
The Downtown-East End submarket may be classified as:

- A re-emerging regional entertainment/sports, retail, and restaurant destination district with the revived retail and entertainment offerings in Gallery Place and along F Street, and the mixed-use redevelopment site of the former Washington Convention Center
- An established cultural attraction area featuring the Verizon Center, museums, and theaters
- Emerging office-supporting retail relating to the dense professional employment center.

The submarket is located in Ward 2 and includes a portion of the Downtown BID boundary, concentrating on the East End (Penn Quarter/ F & G Streets NW)

### Key Elements

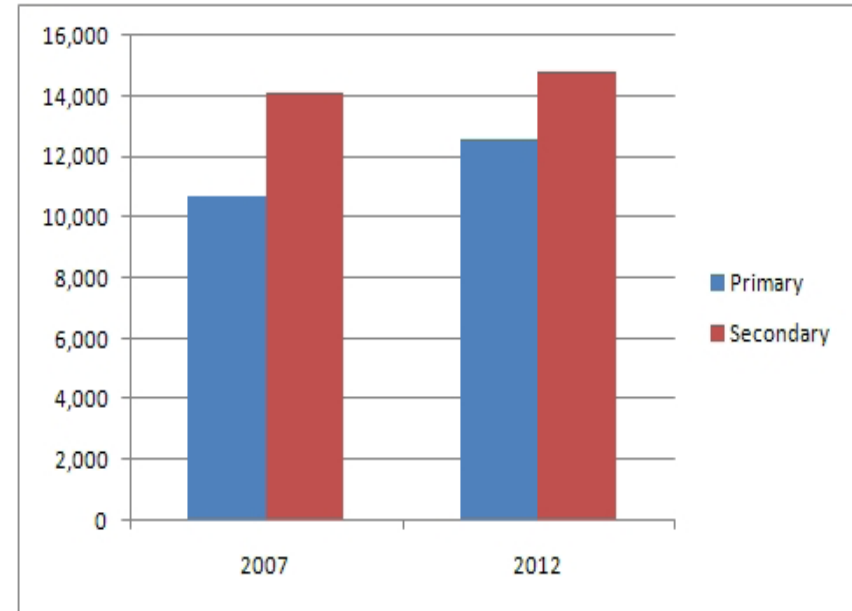
- Trade areas assess residents and other potential customers that could be drawn to the site
- The primary trade area encompasses the block groups within a ¼ mile of the retail submarket; the secondary trade area includes the block groups within a ½ mile of the retail submarket (reasonable walking distances for pedestrian shopping)
- Primary trade area residents are expected to be frequent customers, with a focus on those living closest to the site; secondary trade area residents are expected to be consistent, but not frequent customers
- Potential customers who are not primary or secondary trade area residents are accounted for by an "inflow" factor; this is a percentage applied to potential expenditures at the site



## Downtown Submarket Trade Area Household & Population Growth Trends

- The submarket has a relatively small, but growing, resident market population. Population in the primary residential market area is estimated to increase by 1,873 persons growing from 10,740 to 12,613 by 2012. By 2012, population in the secondary residential market area is projected to grow slightly from 14,151 to 14,824 persons.
- 3,360 new housing units were completed between 2000 and the first quarter of 2008. 1,010 additional apartment units and 412 condominiums are in development or planned for the submarket and trade area.
- The number of households in the primary residential market area are projected to increase by 363 over the next five years; in the secondary residential market area by 1,276 households.
- Average household size is 1.67 and 2.08 persons (respectively) in the primary and secondary residential market areas. The household size reflects the large number of single-person and two-person households living in the area.

Trade Area Population Growth, 2007 and 2012



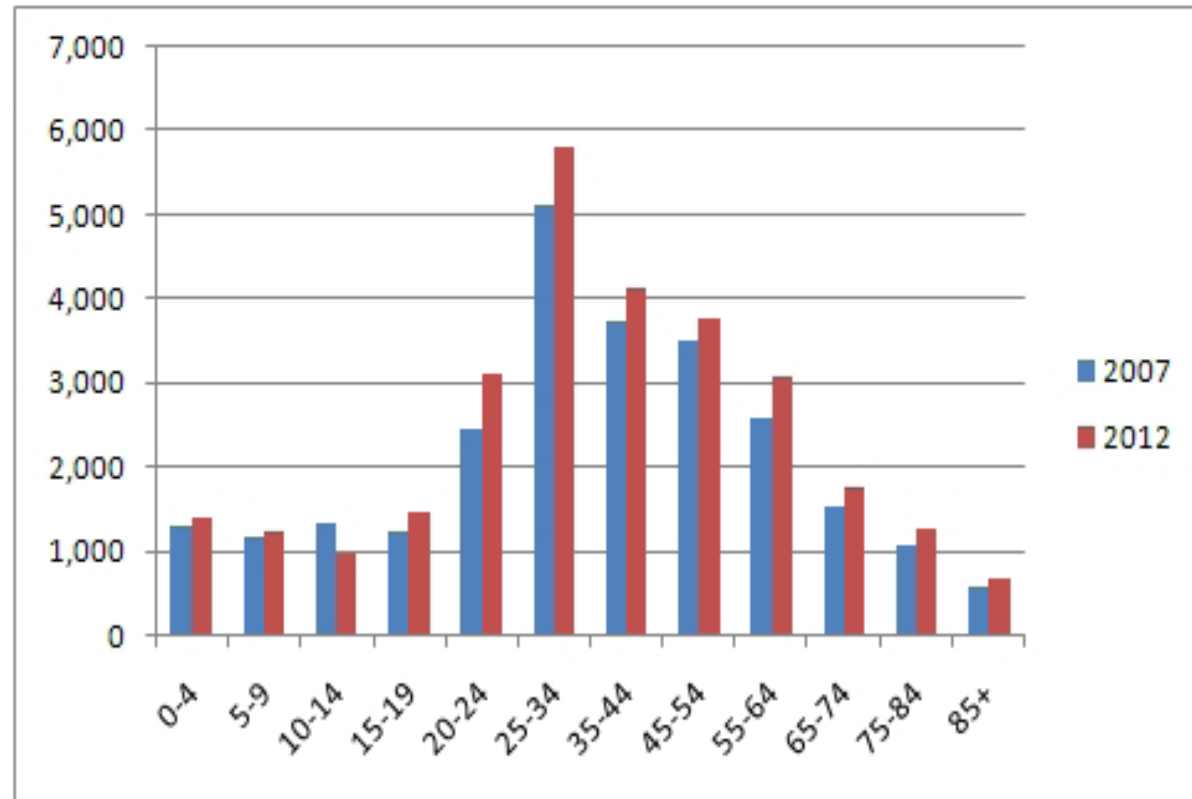
Trade Area Household Growth, 2007 and 2012

	2007	2012
Primary Area	6,240	6,603
Secondary Area	6,201	7,477
Totals	12,441	14,080

## Downtown Submarket Trade Area Population Age Cohorts, 2007 and 2012

- The trade area population is comprised generally of younger and mid-career adults. As market area residents age closer to retirement, fewer choose to live in downtown. The significant number of young adults, 20-24 age cohorts make purchases associated with new household formation; such as furniture and furniture accessories.
- Growth from 2007 to 2012 is the greatest in the 20-24 and 55-64 age cohorts. 55-64 age cohort represents “empty nest” couples, who may be downsizing from their previous households. They will likely spend more on personal services, restaurants, and non-durable goods.
- Most children are found in households in residential neighborhoods in the secondary trade areas northeast of the primary trade area.
- The median age in the primary area is 39.8; 31.6 in the secondary area.

Trade Area Population by Age, 2007 and 2012

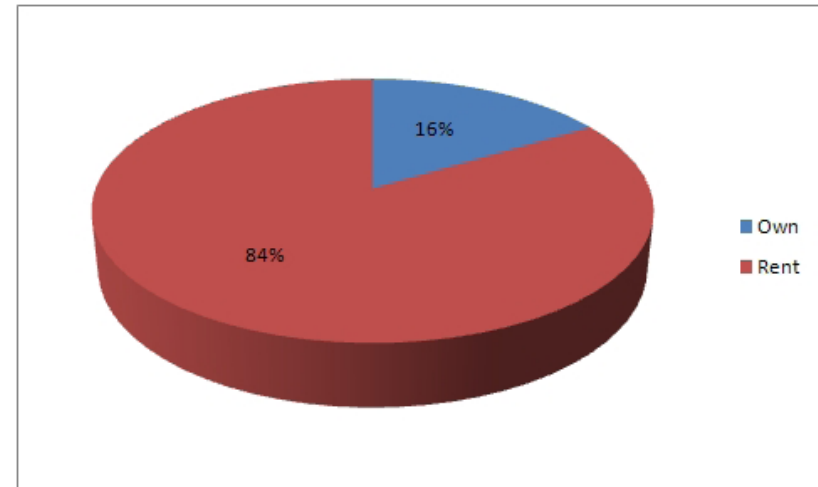




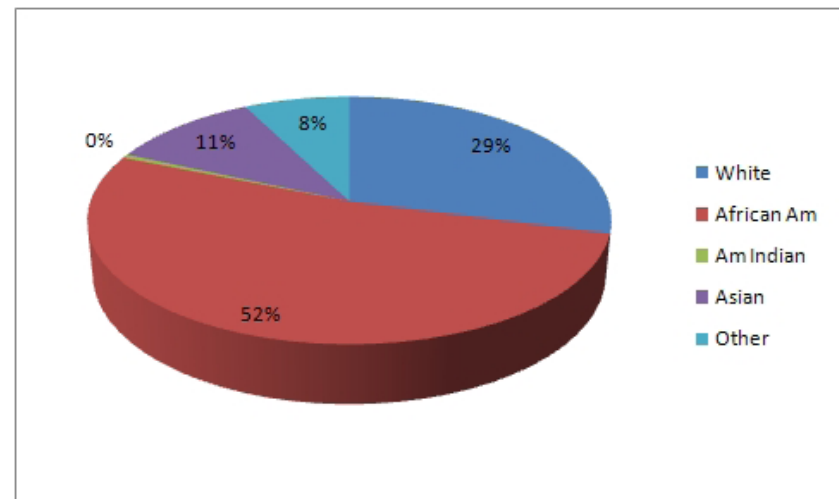
## Downtown Trade Area Key Demographics- Total Trade Area Household Profile

- Homeownership patterns in the total submarket indicate that the majority – 84% of households – rent their homes, while 16% of households are owned. However many of the new residential projects under construction or planned are condominiums, so it is anticipated that the ratio of renters to owners will shift over the next five years.
  - The Downtown DC BID reports that the average condominium price paid per square foot in the BID in 2007 was \$532, illustrating the changing economics and retail spending potential in the trade area.
  - The resident trade areas for downtown include higher-priced condominiums and apartments in the BID area and lower-income, multi-family housing in adjacent neighborhoods. While many of the residential units produced over the last decade were market rate, some included affordable housing. Key projects under construction also include an affordable housing component.
  - The resident market is majority African-American (52%), with White residents making up 29%, Asian residents at 11%, and “Other”, including mixed races, 8%.\*
- \*Note that Latino or Hispanic residents may be self-identified as any of a number of racial groups. 1,107 residents are self-identified as of Hispanic-origin.

Home Ownership, 2007



Racial and Ethnic Groups, 2007



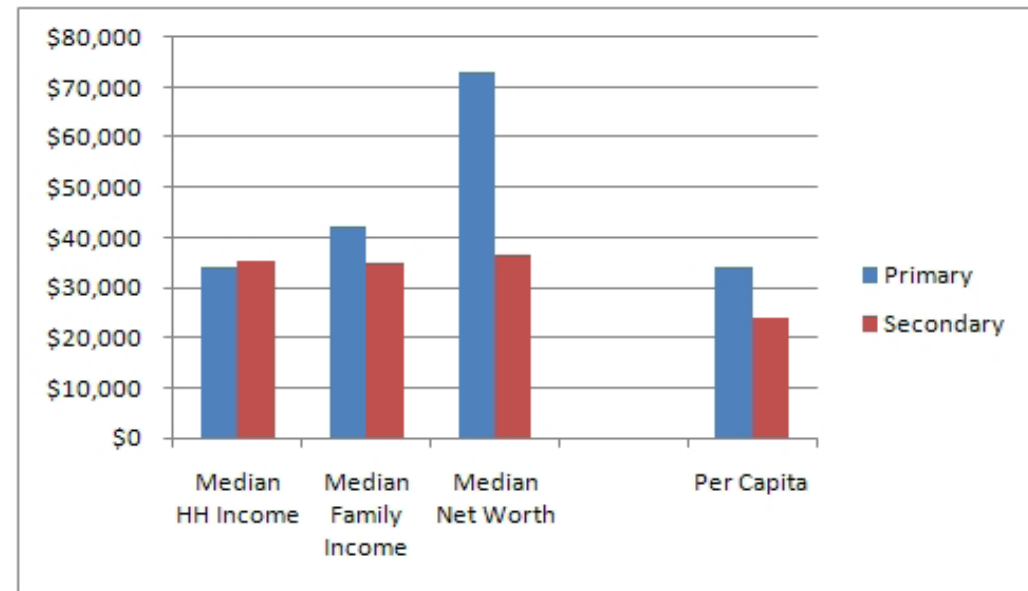
## Downtown Key Demographics- Trade Area Household Income and Spending Profile

- The reported downtown trade area median household income is \$34,242 in the primary area; \$35,262 in the secondary area. This reported income level is somewhat misleading, as census-based statistical reporting lags behind the rapidly changing residential situation in the trade area. A recent survey of 788 Downtown BID residents reported that 70% of respondents are households with more than \$100,000 annual income and 42% of respondents reported annual household incomes greater than \$150,000.

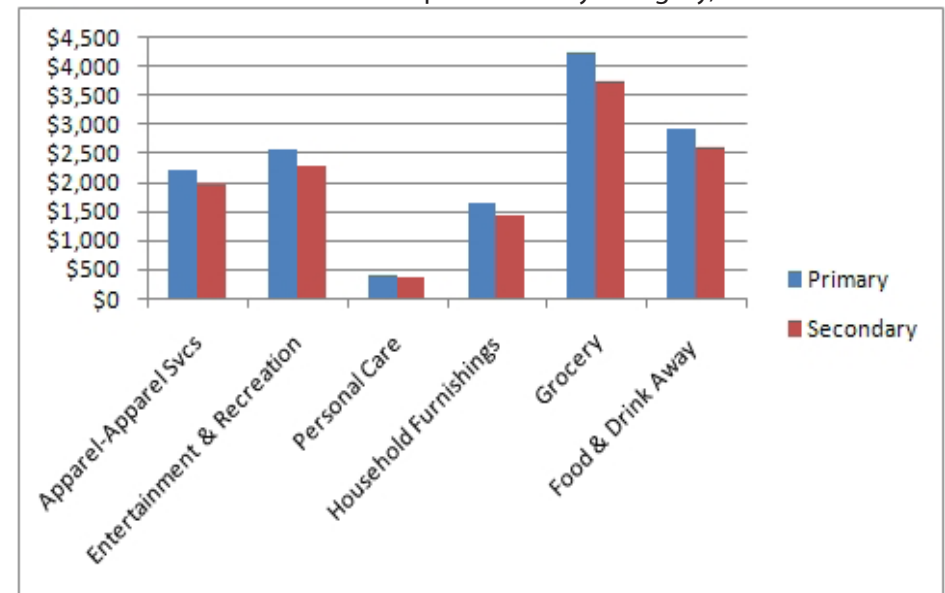
- The mix of higher-income residents within the BID and lower-income residents in adjacent neighborhoods suggests the need for a range of offerings oriented towards both market segments, with consumer service businesses such as drug stores appealing to the broader market. However, the new downtown residents and substantial affluent office worker concentration also suggests major opportunities to recruit upscale retail, apparel and accessories, personal and consumer services, and dining offerings at higher prices. This affluent market segment is expected to grow, reducing the percentage of less affluent households of the total downtown population, and increasing available spending power.

- Household expenditures are higher in the primary trade area, particularly for groceries and restaurants.

Trade Area Household Income Statistics, 2007



Estimated Annual Household Expenditures by Category, 2007



## Downtown Retail Sales Inflow Market Groups

### Downtown Visitors

Downtown attractions include the Verizon Center, Spy Museum, Sidney Harman Hall, Madame Tussauds Wax Museum, Woolly Mammoth Theatre Company, the Washington Shakespeare Theatre, the Smithsonian Museum of American Art and National Portrait Gallery, and many other cultural and entertainment venues. While not within the Downtown BID boundaries, the Newseum is adjacent to the strategic area and is generally considered a Downtown venue. The Downtown DC BID reports that visitors to location of events increased by 470,000 in 2007.

It has been estimated that there are 33,680,000 annual visitor days in DC (including day-only visitors and overnight visitors, averaging 92,274 visitors per day. Of that total daily visitor group, 31,680 visit the Downtown BID strategic area. There are 8,805 hotel rooms in the Downtown BID. This number represents 31% of all hotel rooms in the District.

Visitors represent a significant retail and restaurant market for the Downtown strategic area. In particular, the area surrounding the Verizon Center has continued to attract both metro area residents and visitors as well as out-of-area visitors. Metro area visitors increase the opportunity to create retail sales surpluses to off-set sales leakage in other areas of the District. With a growing entertainment sector, downtown is increasingly able to attract potential retail customers after daytime working hours. The number of restaurants, clubs, bars, and lounges has grown as downtown has become more activated. As the residential population of downtown expands, more nighttime shopping opportunities will be available beyond entertainment categories.

### Downtown Employment

According to the Downtown DC BID, 182,300 employees work within the BID boundaries. While 41% of these employees are federal or DC government employees, the remainder are in the private for-profit and non-profit sectors, with 28% of all Downtown BID area jobs in professional and business categories.

The Center for Regional Analysis at George Mason University projects Downtown BID area employment will be 191,900 by 2011 based on current employment growth, with a 2008-2011 forecast to add 2,400 jobs per year. The Bureau of Labor Statistics estimates that 86,400, 45% of the employees in the Downtown BID area are paid \$75,000 or more per year.

This concentration of professional employment in downtown supports a range of retail businesses, most notably food and beverage (both table service and quick service) and personal services, as well as apparel and accessories.

## Redevelopment of the Former Washington Convention Center Site (“City Center”)

The former Washington Convention Center is a 10-acre site in Downtown bounded by 9th, H and 11th Streets and New York Avenue, NW. In 2007 Archstone-Smith and Hines received approval by the District of Columbia Deputy Mayor’s Office for Planning and Economic Development for their master planned concept for the former Convention Center site redevelopment.

The announced development program included:

- 350,000 square feet of retail—including restaurants, a variety of retailers, and possibly a small grocery store.
- 400 room, high-end hotel
- 465,000 square feet of office space
- 670 units of housing—including at least 134 units of affordable (20%) housing.
- Public parking (at least 850 publicly-available spaces)

The developer has committed that 30 percent of retail space will be dedicated to ok and “local” retailers –defined as merchants and restaurants with six or fewer locations anywhere in the United States.

The successful redevelopment of the former Convention Center site will be one of the final major pieces in the redevelopment of Downtown Washington. This development can re-establish Downtown as a major retail shopping destination in the region, not only retaining retail sales and sales taxes from District residents (DC resident sales outside of the District are estimated at approximately \$1 billion per year), but also attracting additional retail sales, taxes, and jobs from outside of the District’s borders.

This will occur both because the concentration of 350,000 sf of new retail space in a master planned mixed-use development, but also because the Old Convention Center site links established retail areas including the tradition F & G Streets corridor, the 7th Street/Gallery Place concentration and the downtown Macy’s store. As the project is implemented and merchandised with new stores and restaurants , the “gap” that existed between the existing retail areas will become connected with contiguous active retail areas.



## Downtown Retail Studies

There have been two recent downtown retail studies prior to the DC Retail Action Strategy. The first, Market Potentials for Destination Retailing in Downtown DC (2005) by Gould & Associates and Chapman Consulting ("Chapman Study") examined retail potential for the entire downtown area, focused on destination retailers. The second study, Hines/Archstone-Smith Retail Development at Former Convention Center Site Analysis (2006) by H. Blount Hunter Retail and Real Estate Research ("Hunter Study") targeted potential tenants for the new development at the former convention center site (now named "City Center").

### Chapman Study (2005)

As a discussion of destination retail, the study placed particular emphasis on attracting an "anchor" in the form of a department store. The discussion of department stores mentions the desirability of Nordstrom or Bloomingdale's as a downtown anchor. The report states that a new Nordstrom downtown would not "cannibalize" the Fashion Center at Pentagon City store location, though realistically it is likely to do so given that so many DC residents are known to shop there due to ease of access via Metrorail. At the time of the study, Bloomingdale's Chevy Chase/Friendship Heights location was already under development. Bloomingdale's also has stores at White Flint Mall in North Potomac and at Tysons Corner, Virginia. It is unrealistic to assume that Bloomingdale's would also be interested in another store in DC so close to their new one at the Maryland line.

While there is no discussion in the study of non-department store anchors for downtown such as cultural/entertainment/ multi-small-scale stores development, the increasing success of Gallery Place shows that non-retail uses such as Verizon Center can serve the same function as an anchor use/destination.

### Hunter Study (2006)

The Hunter study was prepared to address a potential leasing strategy for the new Hines/Archstone-Smith development at City Center, the former convention center site. The study acknowledges that, given the rapidly changing retail climate, it is difficult to predict which potential tenants will be viable in five years. However, it also examines potential retail tenants by looking at which tenants have recently entered other major cities such as New York and Los Angeles. It also recognizes that the Fashion Center at Pentagon City presents a significant competitor due to ease of access by DC residents.

The study examines the value of an anchor retail department store and highlights the fact that such stores tend to favor suburban locations. It suggests that some subsidy may be necessary to attract such a department store. Any subsidy should consider the relative risks such subsidies face.

The study suggests that Downtown should be competitive with Friendship Heights and Chevy Chase for upscale shopping, though Friendship Heights and Chevy Chase have already established that market position for upper price point stores.

The discussion of urban format, Big-Box retail for the City Center site is interesting given the success of the DC USA project. However the likelihood of such tenants in Downtown seems less likely than in other neighborhood areas.

## Strategy Recommendations

Strategies for Downtown retail should be a combination of the completion of major catalytic anchor projects, as well as supporting the development of smaller retail operations in the areas linking those anchor locations. Much has been done to support the anchor development; much less has been offered to support the small-scale retailers between them.

Continuing to encourage more Downtown residential development will add new demand and will expand the opportunities for retail development.

### Catalytic Projects and Anchors

The redeveloped former Convention Center site is an important site critical to the success of the Downtown area. Every possible effort should be taken to increase the project's chances for success.

Should the opportunity for a department store arise in any other part of the District, especially Georgetown or Friendship Heights, explore 'bundling' the agreement to include a Downtown department store location as well.

As large developments are proposed in Downtown DC, encourage better retail-oriented design of lower floors. Too many street level spaces have poorly-designed retail storefronts or have been leased to banks and other consumer services.

### Merchandising Strategies

Encourage new developments and buildings being renovated to improve the quality of retail storefront and interior space in buildings that are primarily office buildings. Currently, too many retailers are located in storefronts that do not enhance or support a quality retail environment.

Encourage property owners to consider retailers and restaurants as op-

posed to banks and ground floor offices at key intersections.

In order for F Street to realize its full potential, more fashion retailers are needed. The lack of adequate space for fashion on F Street should be addressed with targeted design and development assistance and design guidelines, as well as other leasing incentives.

Work closely with property owners to encourage cooperation with a merchandising plan for F Street that improves the fashion and accessories mix.

### Retail Support

Focus on attracting businesses that appeal to both daytime and evening customers. As the resident base of the area grows, there will continue to be demand for convenience goods. The challenge will be that, while evening and weekend traffic is stronger in the entertainment corridors near evening venues, foot traffic remains low in other office-dominated sectors. Small retailers need assistance to identify the appropriate location for their traffic and time-of-day needs.

First floor rents are still considered high for potential Downtown retailers because of the limited traffic at night and weekends in all but the most active locations. It may be necessary to offer tenant allowances or other initial subsidies to allow quality small stores that appeal to a residential base to become established in the area.

## Strategy Recommendations (continued)

Development, recruitment and assistance for small businesses Downtown should be a role of the Downtown BID, with support from the DC Department of Small and Local Business Development, DC Dot, the Deputy Mayor's Office and other city agencies.

### Organization

The retail strategy for Downtown should be implemented by the Downtown Business Improvement District in cooperation with appropriate public agencies and policies. The Downtown DC BID is a highly capable organization with a strong track record, funding and staff capacity.

Working in partnership with:

- The Office of the Deputy Mayor for Planning and Economic Development (DMPED) for major development projects, negotiations with potential department stores or other major anchors and liaison with the development at the former convention center
- The Washington DC Economic Partnership (WDCEP) for outreach to private sector