

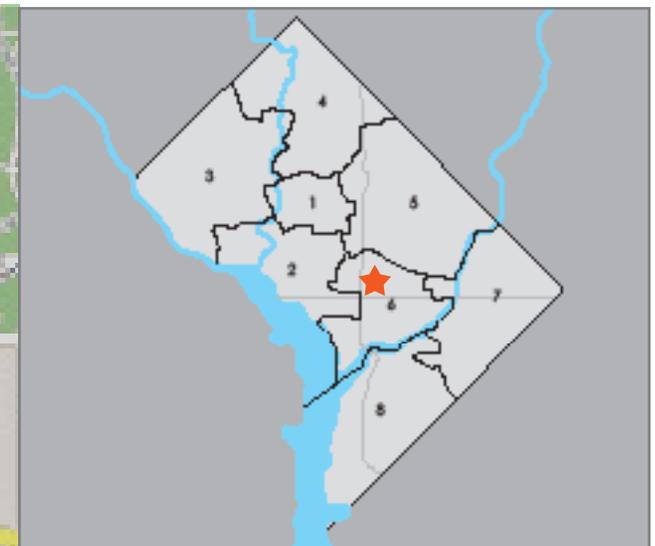
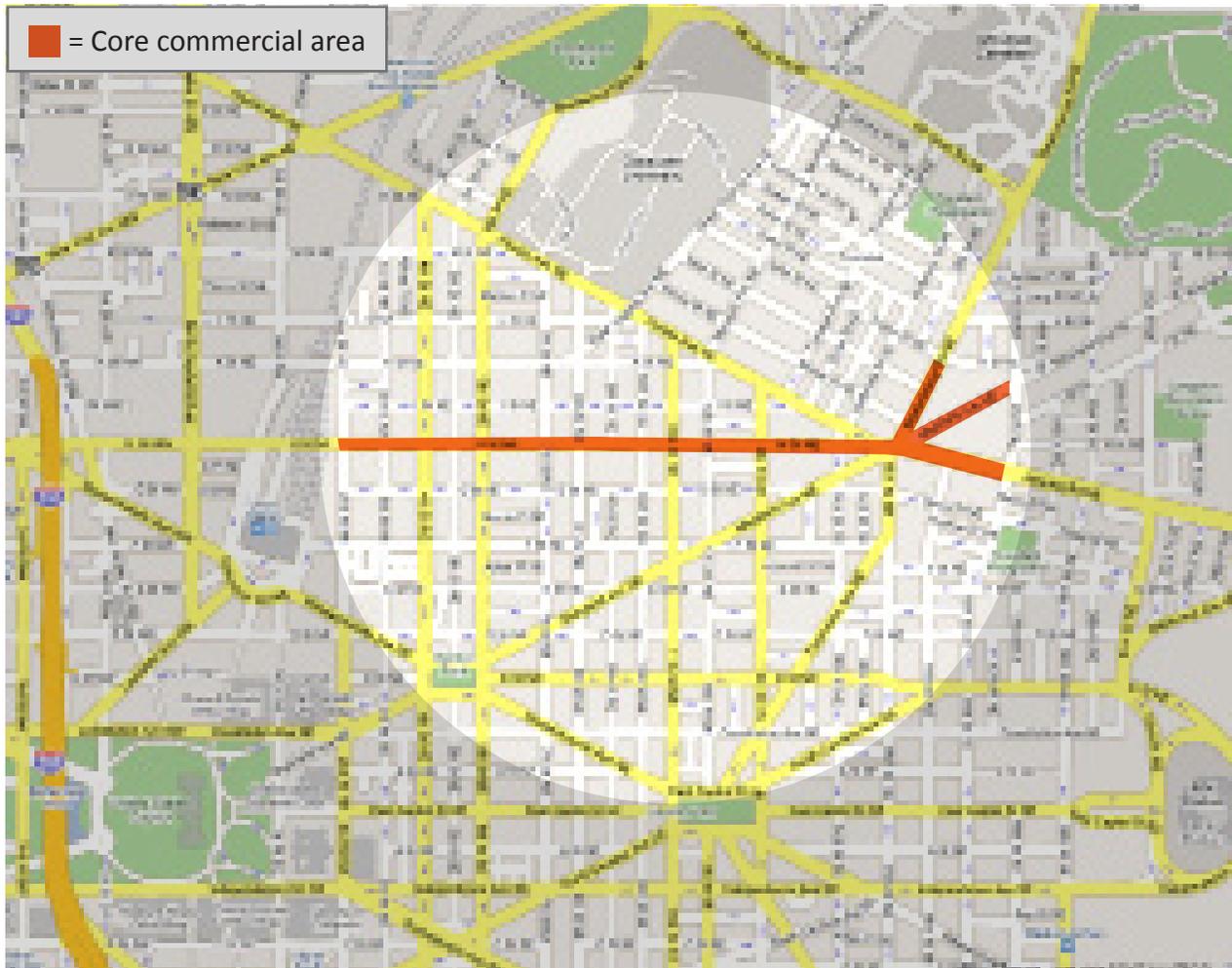
H Street NE

SWOT Analysis, Retail Demand Analysis, Strategy and Preliminary Planning Diagrams



H Street NE SWOT Analysis





Overview

This 1½-mile corridor east of Union Station is booming with new businesses and residential growth. Although it has struggled with vacant stores and other signs of disinvestment, it is actively transitioning into a vibrant district. Investment in arts and entertainment venues (most notably, the restoration of the Atlas Performing Arts Center) has drawn patrons from across the region and helped brand H Street's eastern end as the "Atlas District." Its western end has an excellent location close to Union Station and Gallaudet University. Corridor-wide streetscaping and transportation improvements (e.g., a streetcar) are currently underway, which will increase accessibility and help to bolster support for the commercial district. Currently, the X1 and X2 Metro buses serve the entire length of the corridor.

Boundaries

H Street, NE from 2nd Street, NE to Bladensburg Road; Bladensburg Road from starburst north to K Street, NE; Benning Road from Maryland Avenue from starburst east to 17th Street, NE

Zoning

H Street is zoned as a commercial corridor except for west of Union Station, where it is zoned for commercial-light manufacturing high bulk. The commercial corridor continues past H Street's eastern starburst terminus, including the Hechinger Mall area along Maryland Avenue. It also runs up Bladensburg Road and east along Benning Road until the government-owned National Arboretum. The outlying areas north and south of H Street are residential, except for the large commercial-light manufacturing zone along New York Avenue and Bladensburg Road.

1 Union Station Gateway

The close proximity of Union Station supports transit-oriented development with high-density residential buildings served by limited neighborhood retail. Fittingly, there are several high-end condo developments on par with the scale of the D.C. Government Office between 6th and 7th Streets.

2 Central Shops

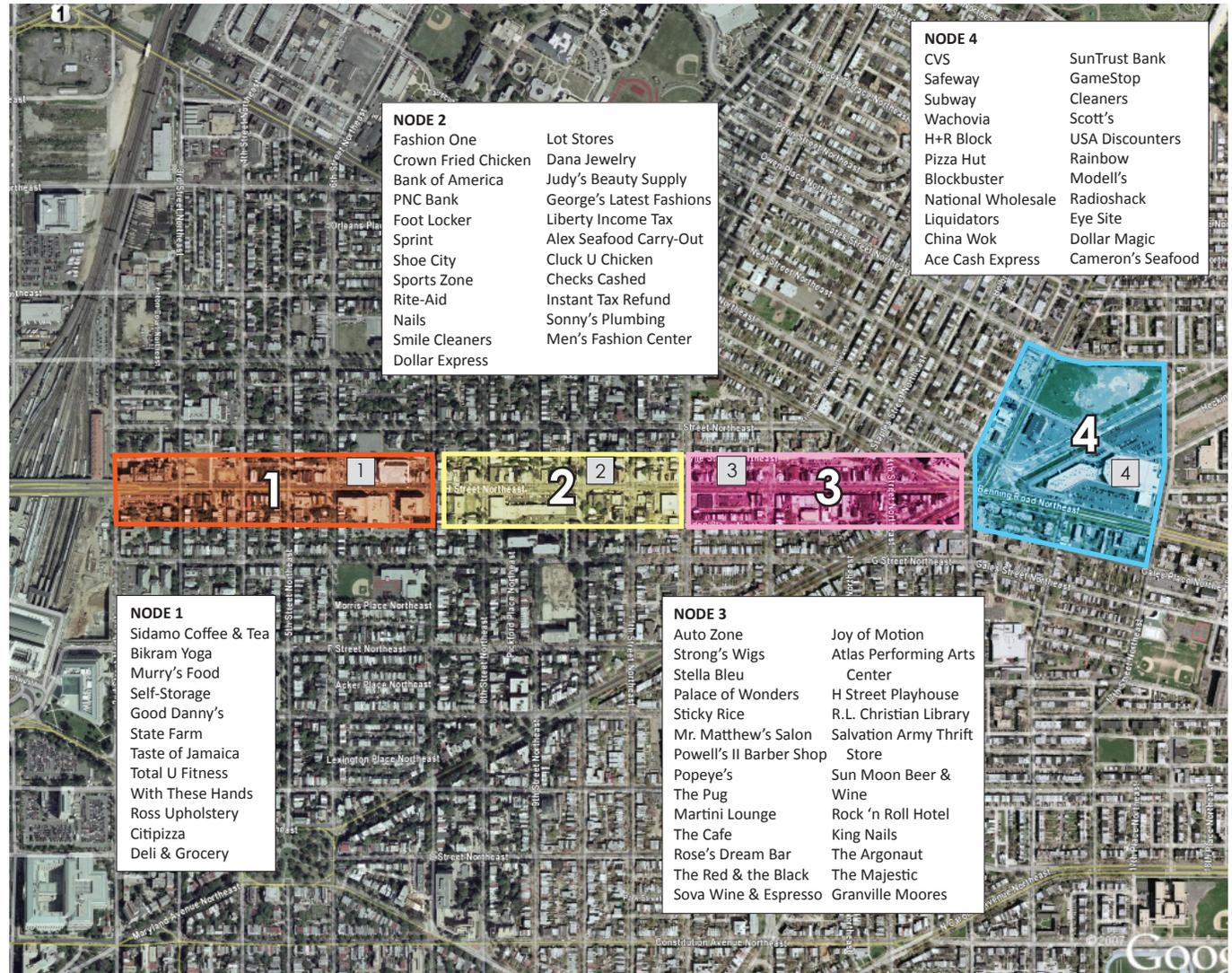
This central area has limited depth due to adjacent housing, suggesting that stores here would have a smaller footprint. Their collective presence could anchor the area, as could the strip mall, if redeveloped.

3 The Atlas District

This area parallels the Central Shops node, except it features arts and entertainment rather than stores. Limited depth and adjacent homes suggest smaller, independent venues, which could be occasionally consolidated into a large anchor (like the performing arts buildings).

4 Crossroads

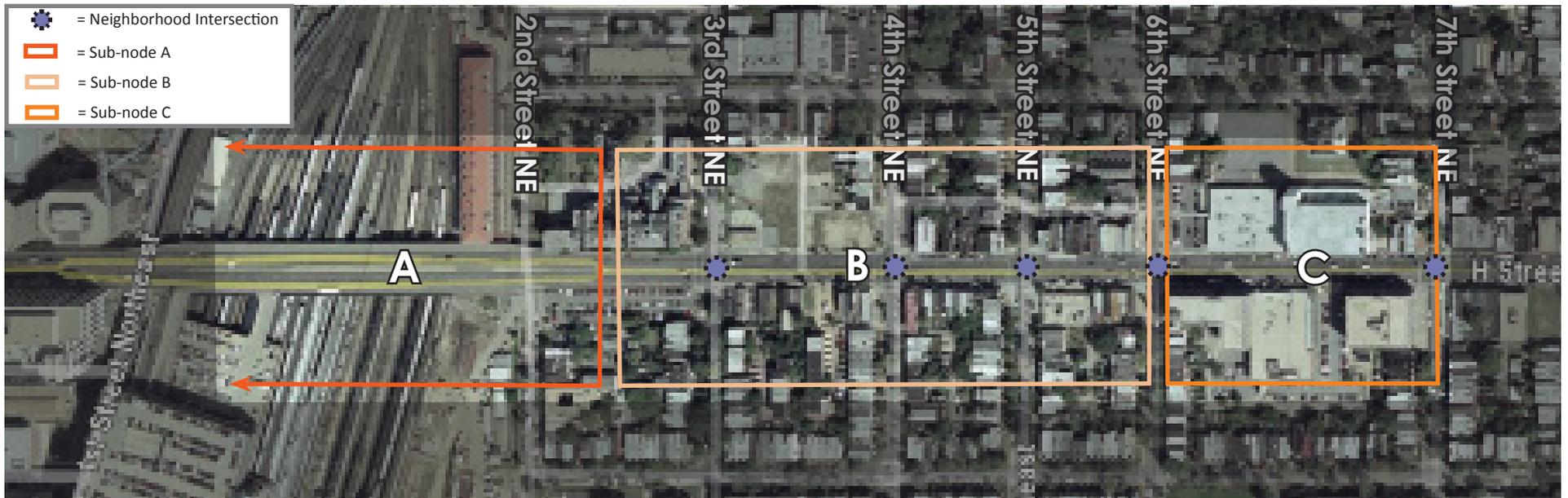
This eastern gateway to H Street has more critical mass than other nodes, with lots of open land and parking. It has potential to become a regional shopping destination, though the goods and services offered by the shops in the strip mall seems to serve residents well.



Note: Tenant lists do not include all businesses located in the submarket.



Retail Node 1: Union Station Gateway



The Union Station Gateway node of H Street can be broken down into 3 sub-nodes: The Hopscotch Bridge, Luxury Condos and Neighborhood Shops, and Government Office Building.

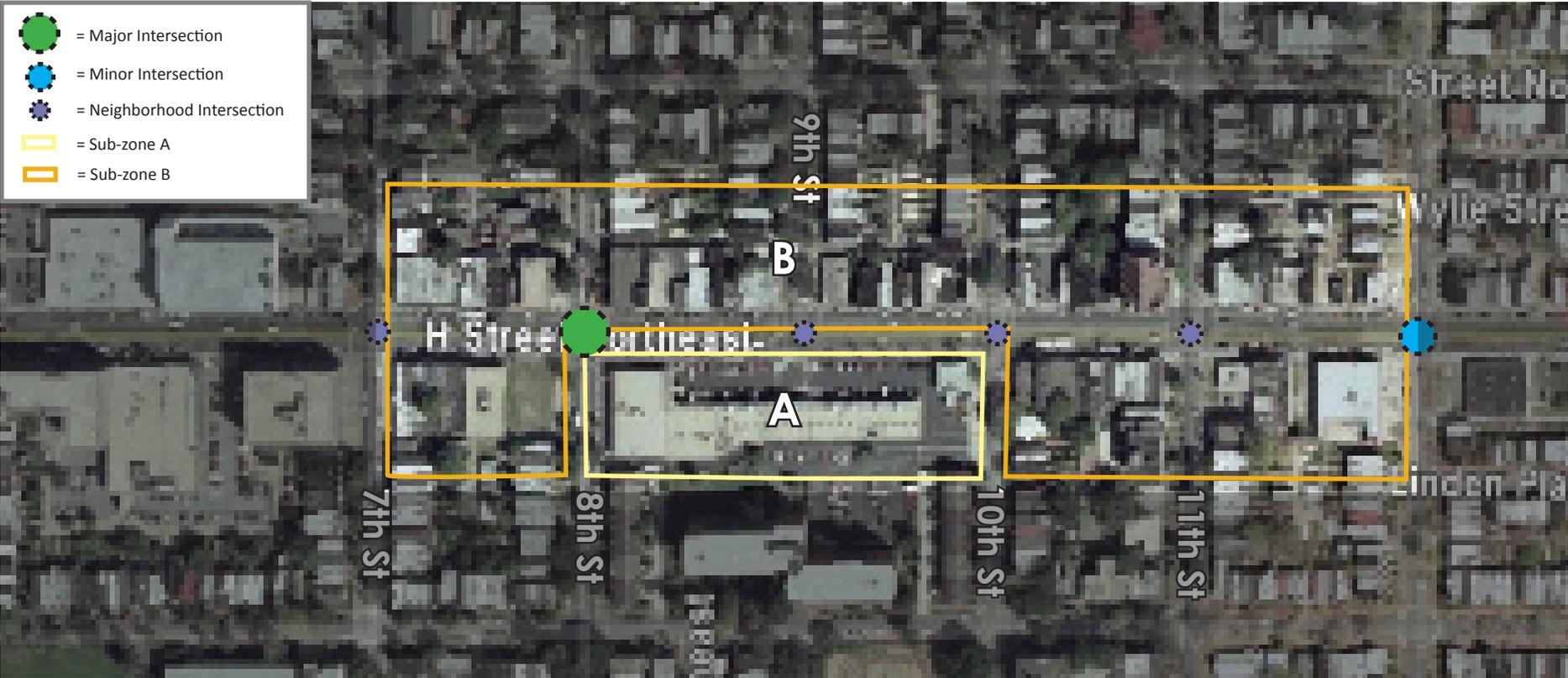


A - The Hopscotch Bridge, whose raised construction cuts off views to downtown, acts as a physical and psychological barrier between Union Station and H Street. This division is exacerbated by the stark landscape in between (parking garages and train tracks), as well as the bridge's pedestrian-unfriendly scale. Environmental graphics on the bridge, however, could direct people to retail opportunities along H Street, as it is a primary entrance/exit point for thousands of commuters, locals, and tourists alike.

B - Luxury Condos and Neighborhood Shops line H Street between 2nd and 6th Streets. This is H Street's true western gateway, and new large-scale development projects are capitalizing on the area's good depth and width, infrastructure, and hierarchy of roads. These developments (which include Senate Square, Landmark Lofts, Station Place, and a mixed-use project with a grocery store) support growth in all uses, especially retail. However, a cohesive overall merchandising strategy inclusive of neighboring Section 3 (Government Office Building) is crucial.

C - Government Office Building. Between 6th and 7th Streets, H Street's building footprint feels larger, as big buildings front the street. The D.C. Government Office Building dominates this section, while Murry's across the street acts as the main retail anchor. Next to Murry's is the large H Street Self-Storage. The existing buildings here are limited for retail development and will create gaps in the district's flow. As mentioned in Section 2 (Luxury Condos and Neighborhood Shops), a cohesive overall merchandising strategy is imperative for retail development in this node.

Retail Node 2: Central Shops



The Central Shops node of H Street can be divided into 2 sub-nodes: H Street Connection and Mom-and-Pop Shops.



A - H Street Connection is a relatively new strip mall between 8th and 10th Streets anchored by Foot Locker and Rite-Aid. This area has the most foot traffic because of people waiting for bus transfers. Though its single story strip configuration is not the highest and best use for this prime land, its collection of national and local tenants serve the community and provide a scale-appropriate central retail anchor for the corridor as it exists today. As density increases, however, redevelopment of this center will likely be appropriate.

B - Mom-and-Pop Shops comprise most of H Street’s central shopping area. These pricepoint-sensitive shops tend to have small footprints on par with the rowhouses directly behind them. This retail area lacks the service and loading infrastructure to support major redevelopment. An exception to this general tenant type is national banks. Across from the strip mall, Bank of America and PNC Bank flank 8th Street, anchoring it as a major intersection.

Retail Node 3: The Atlas District

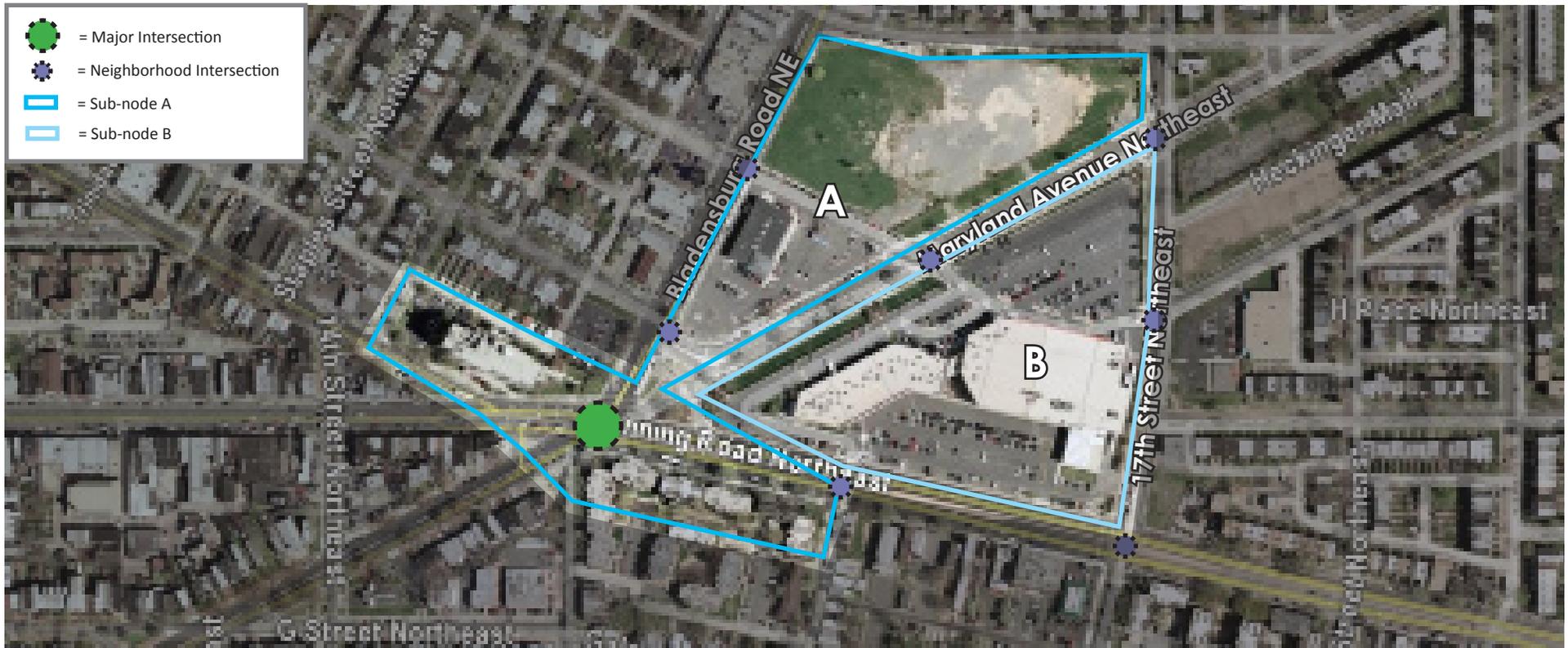


The Atlas District of H Street can be broken down into 2 sub-nodes: Performing Arts Institutions and Boutiques and Bars.



A - Performing Arts Institutions anchor this arts and entertainment node of H Street. The Atlas Performing Arts Center is the area’s landmark building and, along with the Joy of Motion Dance Center and the H Street Playhouse, has helped brand the district “The Atlas District.” The cluster of similar tenants gives this area a great set of ingredients to build a merchandising strategy and, along with the next section (Boutiques and Bars), combines to make a great dining and entertainment district.

B - Boutiques and Bars as well as sit-down restaurants are continually popping up in renovated buildings across H Street’s Atlas District. Local entrepreneurial efforts have played a major role in developing this area as a nightlife destination, with bars and live music venues that fit into the existing buildings’ small footprints. Unlike Retail Node 2 (Central Shops), there is more existing infrastructure for service and loading; back alleys are larger because residential neighborhoods are not as tightly knit.



The final node of H Street, Shopping Gateway, can be broken down into 2 sub-nodes: High-Density Housing and Hechinger Mall.



A - High-Density Housing caps the end of H Street in the form of a retirement home, Delta Towers. Mid-rise apartments, which are mostly in poor condition, line Benning Road across from Hechinger Mall. The nearly 5-acre parcel of open land between Bladensburg Road and Maryland Avenue (with CVS at its southern tip) makes a sprawling, undefined entry from the east. However, this open space is slated for 500 residential units as part of the mixed-use Arboretum Place development.

B - Hechinger Mall, a large strip mall with national tenants (anchored by Safeway), sits at the starburst intersection of H Street/Benning Road, Maryland Avenue, and Bladensburg Road. Because it is at the confluence of several roads, it does not work well for local pedestrians, many of whom are elderly. The Mall also has multiple fronts with several surface parking lots, which weakens it as a crossroads, though makes it convenient to reach by car.

Streets & Blocks

The H Street corridor is an undefined district that currently lacks a good balance between pedestrians and vehicles. It has too many lanes of traffic; the 6 lanes of traffic (2 in each direction, plus 1 with parked cars) appear as a gulf between the older 2- to 3-story buildings. In contrast with the wide street, sidewalks tend to be quite narrow. Occasional bus shelters, such as the one outside Murry's, block much of the sidewalk and disrupt the pedestrian flow. Moreover, sidewalks lack pedestrian-friendly features like brick paving and regular plantings. H Street's streetscape is especially stark on the Hopscotch Bridge. The rise of the bridge visually cuts the neighborhood off from downtown and, combined with its poor streetscape, gives the impression that H Street is like a highway.



Intersections

The main intersection on H Street occurs at 8th Street, where all 4 corners have prime retail or banks. The south side of this intersection has a Foot Locker, and the H Street Connection strip mall is across 8th Street. The north side of the street has a Bank of America, which has a distinctive old-world facade, and a PNC Bank. This intersection buzzes with pedestrian activity not only because of these offerings, but because it is a major transfer point for several Metro buses. The rest of H Street has mostly neighborhood-scaled intersections; 12th Street is a somewhat larger intersection because it marks the beginning of the Atlas District. At the eastern end of H Street is a large starburst intersection, marking the confluence of 5 roads, which is extremely intimidating for both pedestrians and drivers.



Buildings

H Street's buildings, while old and often in disrepair, have an eclectic charm similar to other vibrant neighborhoods like Adams Morgan. Recently renovated storefronts, like Stella Bleu and other venues in the Atlas District, reveal the potential in H Street's historic building stock. Most buildings are 2- to 3-stories tall and quite narrow, making them attractive to independent owners. However, tall condos and mixed-use developments are beginning to spring up near the Hopscotch Bridge. Similarly, the eastern end of H Street (near Hechinger Mall and the old Sears site) has high-rise housing and proposed larger development projects. The area's landmark building is the art deco Atlas Performing Arts Center, which is surrounded by other performing arts buildings that break the typical small-scale fabric of H Street.



Alleys & Service

Larger retail centers like H Street Connection and Hechinger Mall have designated areas and alleys for service and loading, but most of the smaller retailers do not. The network of alleys behind buildings on H Street is not clearly defined (especially in Node 2), and delivery trucks often double-park in travel lanes. However, Node 3 (the Atlas District) benefits from more clearly defined back alleys. This is due to the extra room between its buildings and the adjacent neighborhood, which is less dense than in other areas along the corridor. Trash cans do not appear regularly along the street, so litter is noticeable, especially near the busy starburst intersection at H Street's eastern end.



Strengths

- H Street's western end is proximate to Union Station, which is a major transit, employment, and shopping hub
- The Atlas Performing Arts Center is a regional destination and has helped brand H Street's Atlas District
- An emerging bar and club scene has put H Street on the radar as a nightlife destination
- The road and sidewalk infrastructure is already well established
- The D.C. government office building in Node 1 (Union Station Gateway) brings 600 employees to the area daily, which is a good start for attracting more customers to the area
- The area has a good historic building stock with distinctive storefronts
- There is a built-in capture of existing residents
- The transformation of H Street into a boulevard is already underway, which will help to reduce the auto-dominant appearance of the street and contribute to creating a more inviting pedestrian environment

Weaknesses

- Multiple ownerships of commercial buildings translates into a lack of control and consensus among stakeholders
- Properties have limited depth and tend to be in below-average physical condition
- Union Station turns its back to H Street, making the Hopscotch bridge more of a physical/psychological barrier
- There is no Metro station in the immediate area (the Atlas District is 1½ miles away from the Union Station Metro stop)
- The street is disproportionately wide, making pedestrians secondary to auto traffic
- The streetscape is uninviting and there are several "gaps"
- The starburst intersection at H Street's eastern end is too large and hazardous to pedestrians
- A shortage of parking (other than at H Street Connection and Hechinger Mall) deters customers from shopping at smaller stores

Opportunities

- The H Street submarket is expected to have significant residential growth (over 4,000 units in the planning pipeline)
- A future streetcar system is planned to have 4 stops along H Street (at the apex of Hopscotch bridge and at the intersections of H Street and 4th, 8th, and 12th Streets) which will help the corridor to take advantage of the linear economic and retail development potential that a fixed, above-ground transit systems offers
- Building upon the design guidelines established in the H Street Corridor Revitalization Plan, develop enhanced storefront guidelines to encourage a consistent streetscape that still allows stores to express their individuality
- Leverage DDOT's reconfiguration plan for the starburst intersection as well as other public realm investments under the Great Streets Initiative in order to help create a pedestrian-friendly eastern gateway to H Street
- Develop Hechinger Mall as a stronger eastern anchor in contrast to and concert with the smaller, independent stores on H Street; while its retail currently serves the needs of local residents, it could attract more commuters if its stores were less disjointed and had more of a street presence
- Consider adding parking garages with clear signage to improve H Street's accessibility
- As recommended in the H Street Corridor Revitalization Plan, concentrate efforts into the blocks surrounding 4th, 8th, and 12th streets; rather than lining the entire corridor with retail, transform these small nodes into authentic neighborhood centers that signal different zones along H Street; allow their ground floors to hold other uses where appropriate (i.e., residential or small offices)
- Leverage the consolidation of properties near Union Station by using transit-oriented development to promote a stronger retail environment

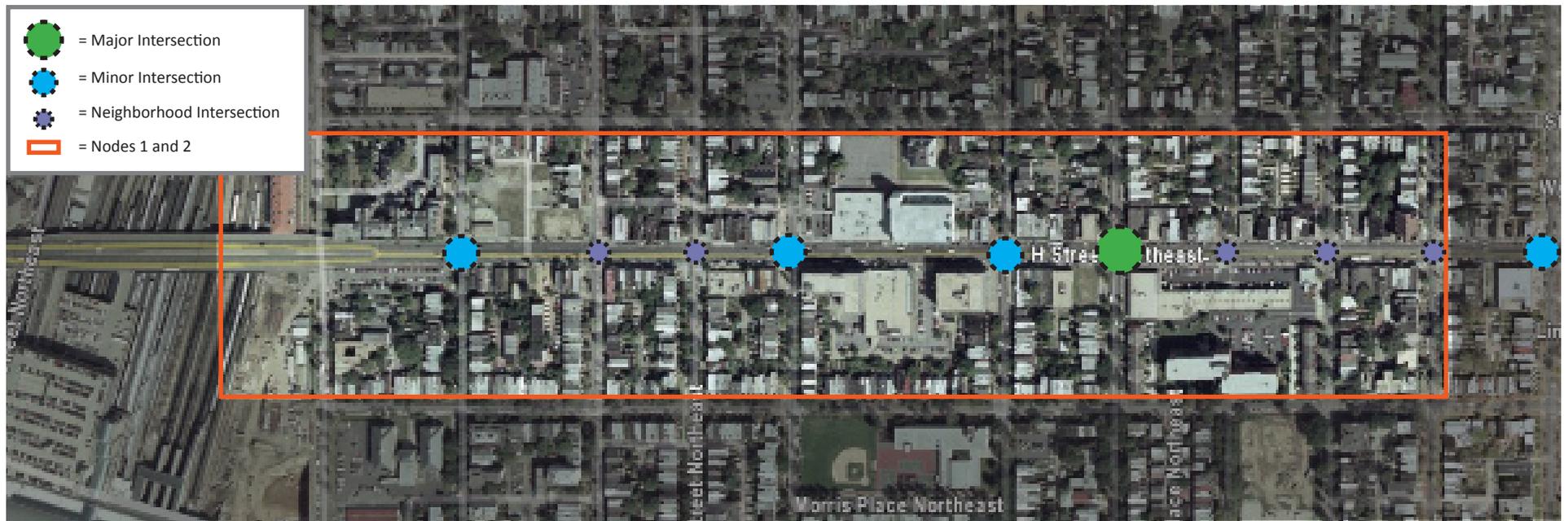
Threats

- Future large-scale redevelopment under a few developers who tend to select from a similar set of national tenants may compromise H Street's eclectic, historic feel by making it too generic
- Union Station's shops (often national retailers) could be in direct competition with local retailers who sell similar goods on H Street
- Without incentives and other forms of assistance from both public and private sectors, local shop owners currently operating in this market may not have the capacity to remain viable as the market changes and competition from national retailers increases

H Street NE Preliminary Planning Diagrams



Planning Analysis Nodes 1 and 2: Union Station Gateway and Central Shops



General Observations about Existing Area:

- 1) High-density, mixed-use development is beginning to transform the blocks closest to the Hopscotch Bridge toward Union Station.
- 2) Except for parcels slated for major development, many of the vacant parcels along H Street are limited in depth.
- 3) Much of the streetscape, including sidewalks and storefronts, is in need of significant restoration.
- 4) The individual building reinvestment efforts of developers and store owners have revealed H Street's potential as a great corridor.

Retail Planning Principles:

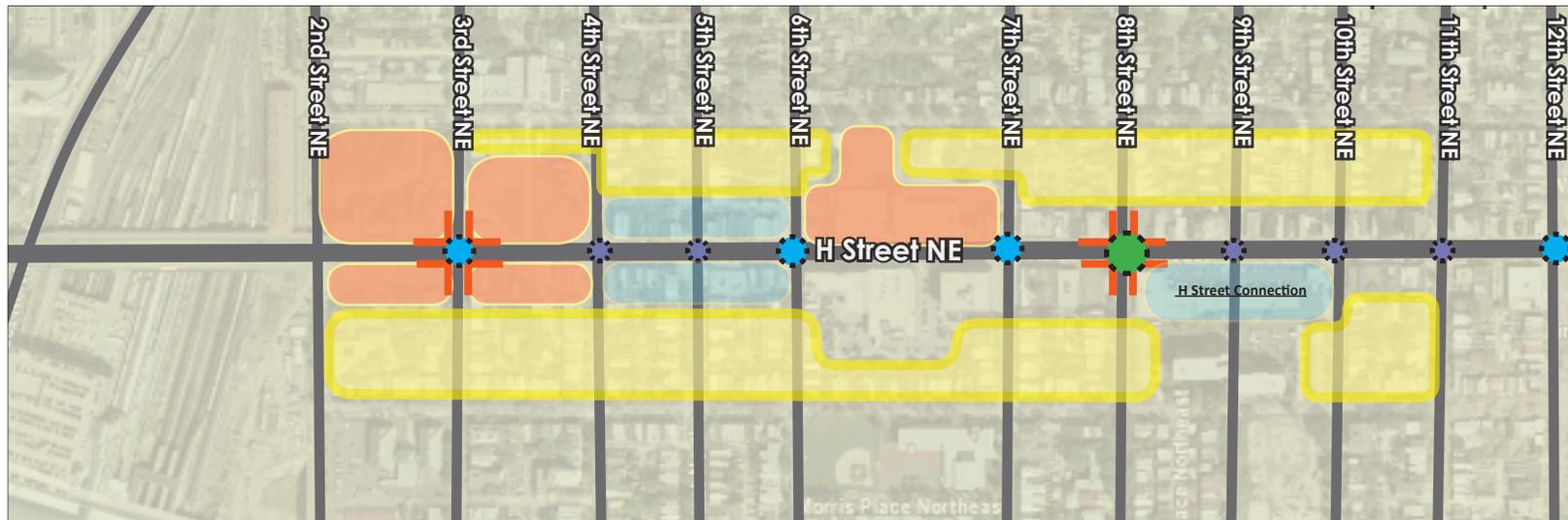
- 1) Be sensitive to the surrounding low-scale residential neighborhood.
- 2) Utilize single-owned parcels for potential high-density, mixed-use buildings to help establish this node as a transit-oriented community.
- 3) Ensure that reinvestment efforts and new retail offerings serve the needs of the existing H Street community, while considering the needs of a wider market as H Street evolves.

Planning Concepts Nodes 1 and 2: Union Station Gateway and Central Shops

-  = Prime Corner
-  = Mixed-Use Opportunity
-  = Reinvestment Opportunity
-  = Sensitive Low-Scale Residential Adjacencies
-  = Major Intersection
-  = Minor Intersection
-  = Neighborhood Intersection

The following concept diagram is intended to be used as a general guide for retail improvement opportunities. Actual building configurations and mix of uses should be reviewed on a parcel-by-parcel basis.

Redevelopment Option 1



HIGH-DENSITY, MIXED-USE DEVELOPMENT OPPORTUNITIES

Large leasing depths and single ownership allow this location to be suitable for mixed-use development. Focusing on a higher density wherever possible keeps in line with the city’s goal of transforming H Street into a hallmark transit-oriented development. Larger leasing depths at the ground floor make way for anchor tenants that will complement the neighborhood shops in this node.

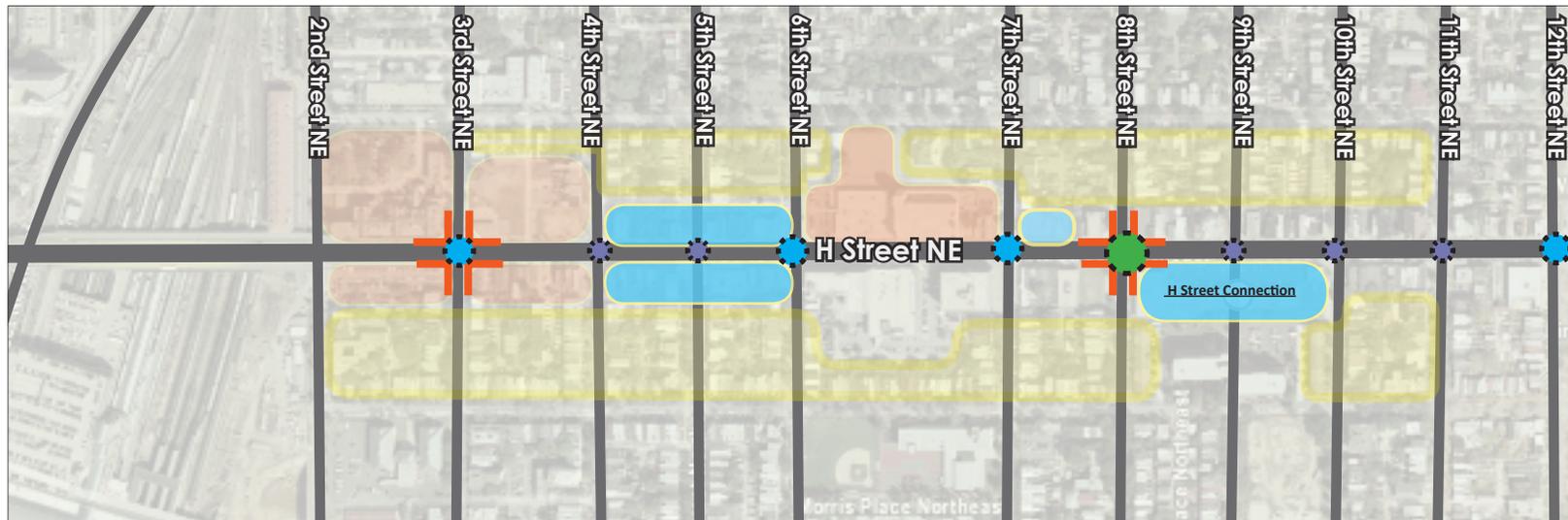
Where low-scale residential parcels abut proposed high-density mixed-use development, a fragile boundary is created. Thoughtful planning strategies that soften the edge along the backdoors (i.e., service/loading areas) of both density types is important. It is imperative that backdoors are planned and built well to reduce crime and promote safety.

Planning Concepts Nodes 1 and 2: Union Station Gateway and Central Shops

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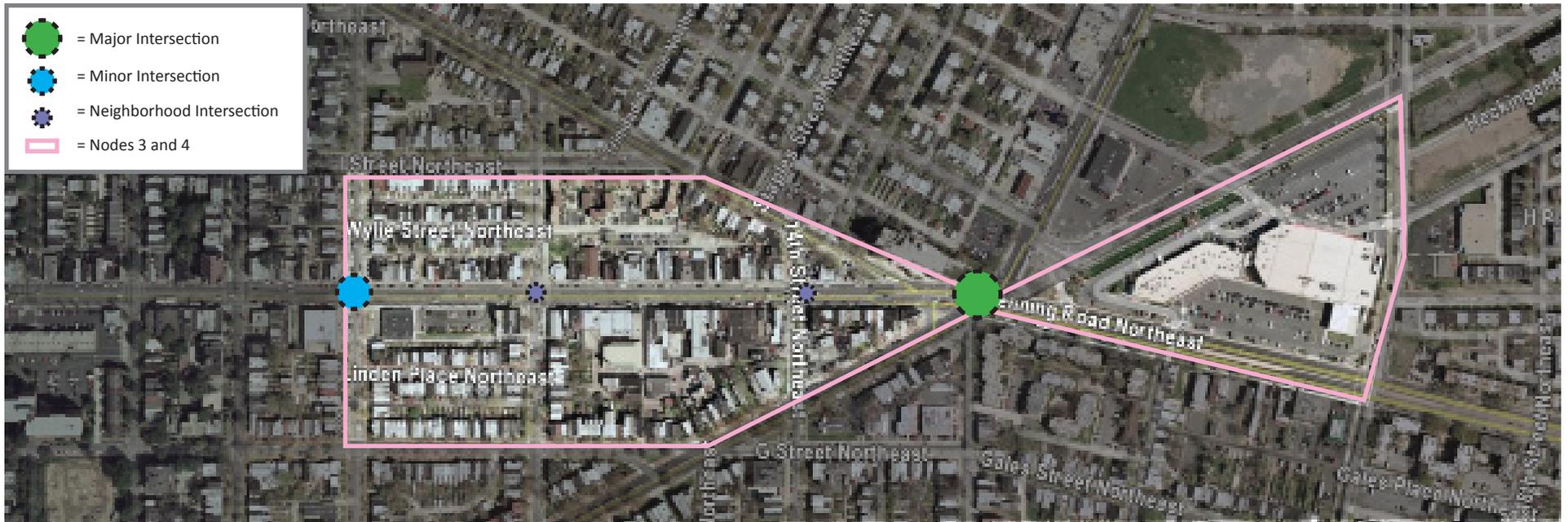


REINVESTMENT/REPOSITIONING OPPORTUNITIES

Continued revitalization to the shops along H Street is essential to taking advantage of existing gaps, whether or not they are filled with retail. Design guidelines and streetscape improvements will help promote a pleasant neighborhood experience and give more value to home and store owners. Streetscape initiatives along H Street should include intersecting streets where sidewalks tend to be in excess of 25' and are disengaged from the retail experience. Allowing retailers to work with streetscape elements in these areas will energize the street corners and transform the sidewalk into a public amenity.

Although its strip configuration is not the ideal format for a central location on a vibrant commercial street, the H Street Connection does offer goods and services that currently serves the needs of the community. Dedicated parking and clear visibility at the prominent intersection of 8th and H streets make this shopping center a prime retail destination. Placing an emphasis on unique signage and streetscape improvements will help the center reach its full potential.

Planning Analysis Nodes 3 and 4: The Atlas District and Crossroads



General Observations about Existing Area:

- 1) A clustering of performing arts buildings, bars, and restaurants suggests the potential for enhanced branding of a dining and entertainment district within this node of H Street.
- 2) Hechinger Mall's positioning at the end of H Street makes it a prime location as an anchor end-cap to the H street corridor. However, with surface parking surrounding the building, the mall is disengaged from the rest of the pedestrian activity along H Street.

Retail Planning Principles:

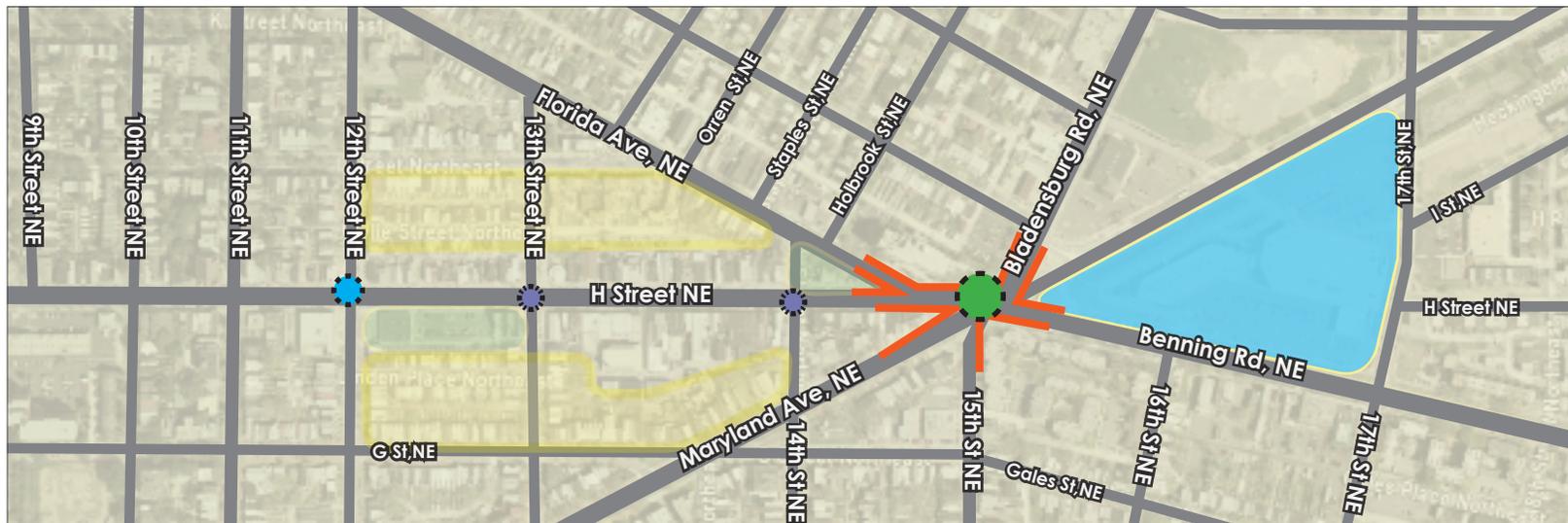
- 1) Strategically position anchor tenants on key parcels along the corridor in order to keep H Street competitive in the regional retail market.
- 2) Cultivate locally owned businesses by implementing streetscape and storefront revitalization initiatives.
- 3) Establish strong pedestrian connections to the Hechinger Mall terminus.
- 4) Create distinct gateways along the corridor with branding elements that reinforce the unique character of this area.

Planning Concepts Nodes 3 and 4: The Atlas District and Crossroads

- = Prime Corner
- = Reinvestment Opportunity
- = Consolidation Opportunity
- = Sensitive Low-Scale Residential Adjacencies
- = Major Intersection
- = Minor Intersection
- = Neighborhood Intersection

The following concept diagram is intended to be used as a general guide for retail improvement opportunities. Actual building configurations and mix of uses should be reviewed on a parcel-by-parcel basis.

Redevelopment Option 1



REINVESTMENT/REPOSITIONING OPPORTUNITIES

Clear visibility, ease of access, and large site area make the Hechinger Mall an ideal location for a regional retail anchor center, although it is currently appropriate in scale considering the present dynamic in the market. However, as the H Street corridor evolves, Hechinger Mall could be repositioned as a higher-density offering given its large land area and strategic location.

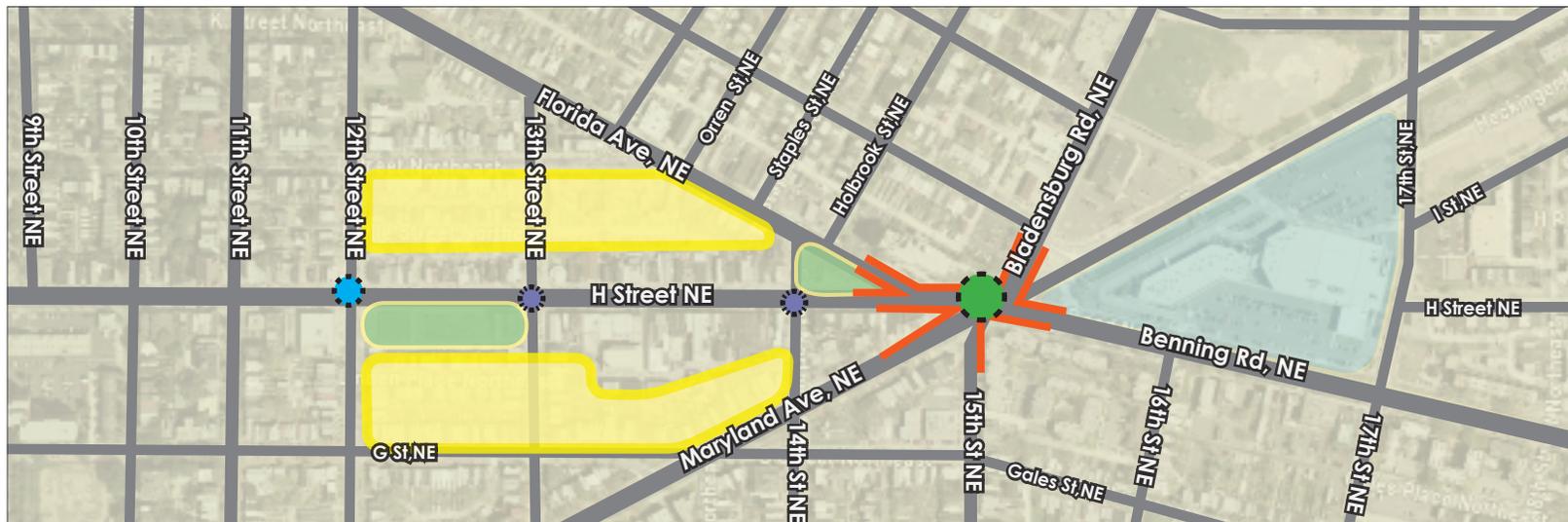
Improving pedestrian conditions at the starburst intersection of 15th and H Street with Benning, Bladensburg, Maryland, and Florida Roads is a priority for the H Street corridor—plans to do so are already in motion. Leveraging DDOT’s reconfiguration plan for the starburst intersection as well as other public realm investments (e.g., landscaping, wayfinding, etc.) under the Great Streets Initiative will help to create a pedestrian-friendly gateway to H Street. An improved intersection here will also serve as a welcoming eastern entrance to the corridor as well as reinforce the link between H Street and the Hechinger Mall.

Planning Concepts Nodes 3 and 4: The Atlas District and Crossroads

-  = Prime Corner
-  = Reinvestment Opportunity
-  = Consolidation Opportunity
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The following concept diagram is intended to be used as a general guide for retail improvement opportunities. Actual building configurations and mix of uses should be reviewed on a parcel-by-parcel basis.

Redevelopment Option 1



CONSOLIDATION OPPORTUNITIES

Large, single-owned parcels provide an opportunity to consolidate properties in certain key areas and create an integrated redevelopment effort. Shallow leasing depths due to adjacent residences and parking concerns will limit the amount of density on this site; however, there is an opportunity to engage the street with a smaller-scale 2- to 3-floor mixed-use product.

Unique gateway elements can often take advantage of otherwise difficult site constraints. The triangular parcel of land defined by 14th Street, H Street, and Florida Ave is an opportunity to create an architecturally significant entrance that brings attention to the H Street District.

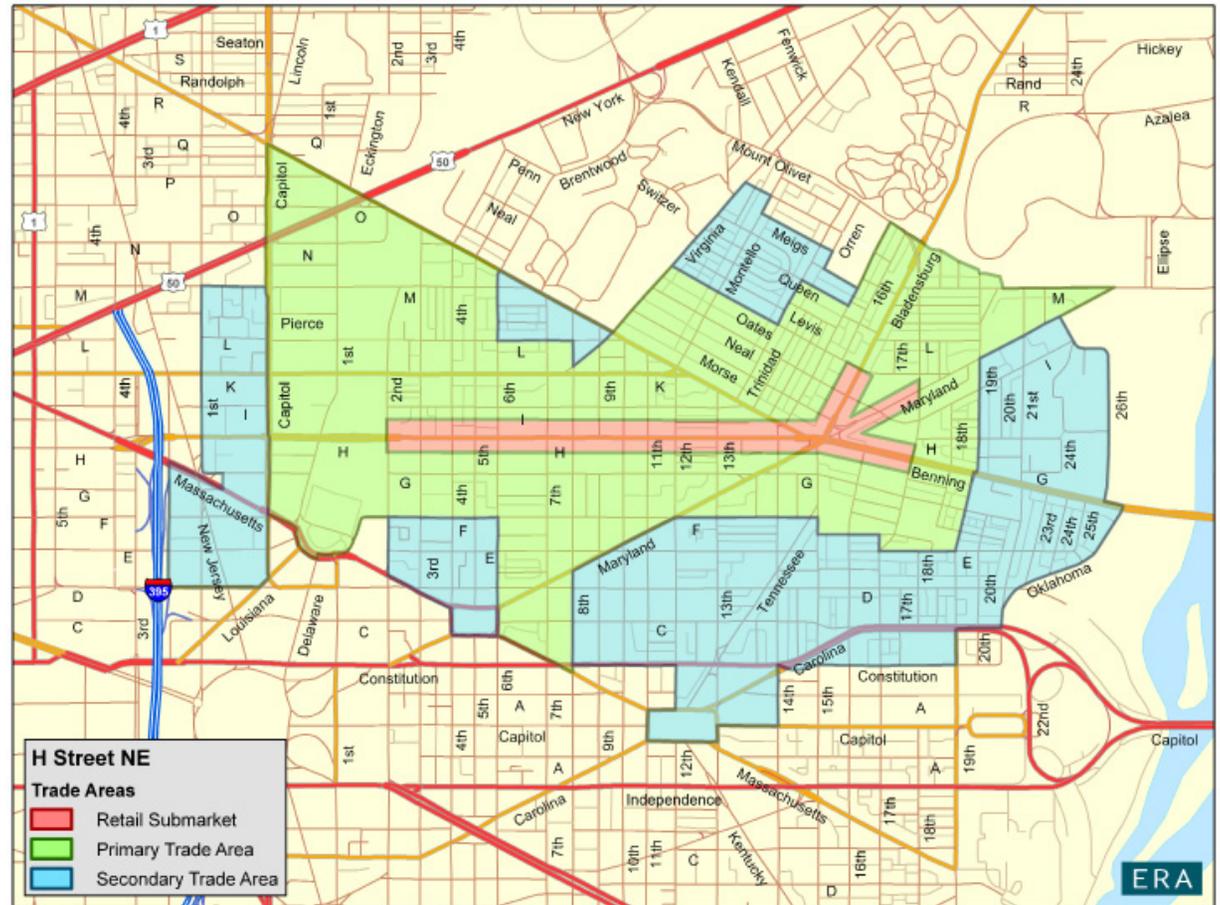
H Street NE Retail Demand Analysis



The retail submarket is located from H Street NE from 2nd Street NE to Bladensburg Rd; Bladensburg Rd from starburst north to K St NE; Benning Road and Maryland Avenues from starburst east to 17th Street, NE

Key Elements

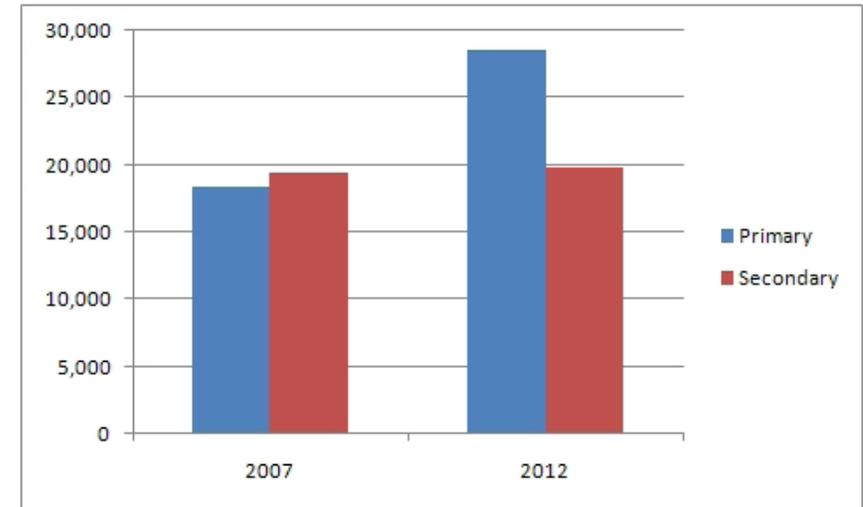
- Trade areas assess residents and other potential customers that could be drawn to the site
- The primary trade area encompasses the block groups within a ¼ mile of the retail submarket; the secondary trade area includes the block groups within a ½ mile of the retail submarket (reasonable walking distances 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



Significant increases are projected in population and housing units in the H Street NE trade area over the next five years

- New residential projects may add 4,638 households or approximately 10,463 new residents (based on average household size in each trade area), in addition to projections by ESRI
- ERA accounted for this addition in the 2012 figures for population and households
- Total population in the trade area is projected to increase from 37,838 in 2007 to 48,301 in 2012; an average annual growth rate of 5.0 percent
- Major new projects include Constitution Square, Senate Square, 3rd & H Street Place, Landmark Lofts and other various projects (see map on page 7)

Trade Area Population Growth, 2007 and 2012



Trade Area Household Growth, 2007 and 2012

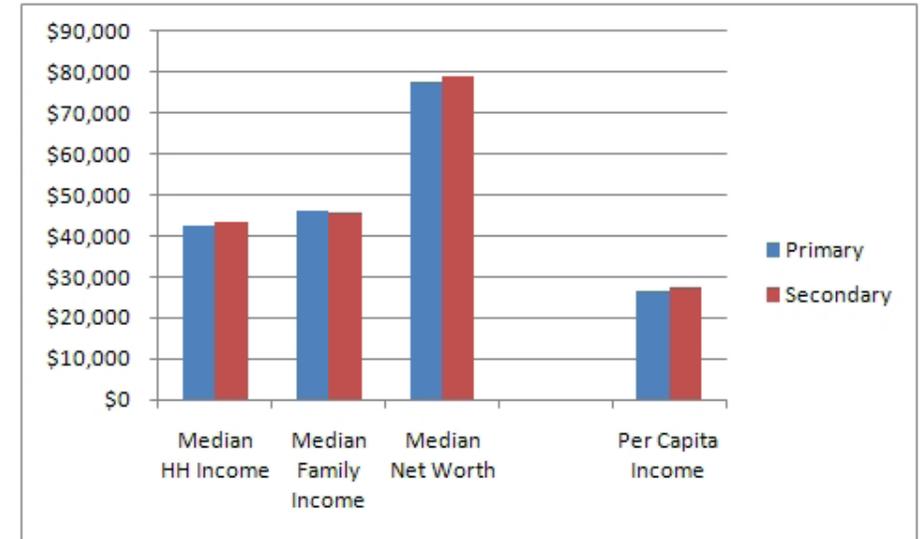
	Estimated 2007	Projected 2012
Primary	7,892	12,349
Secondary	8,119	8,300
Total	16,011	20,649

H Street NE Key Demographics: Trade Area Household Profile

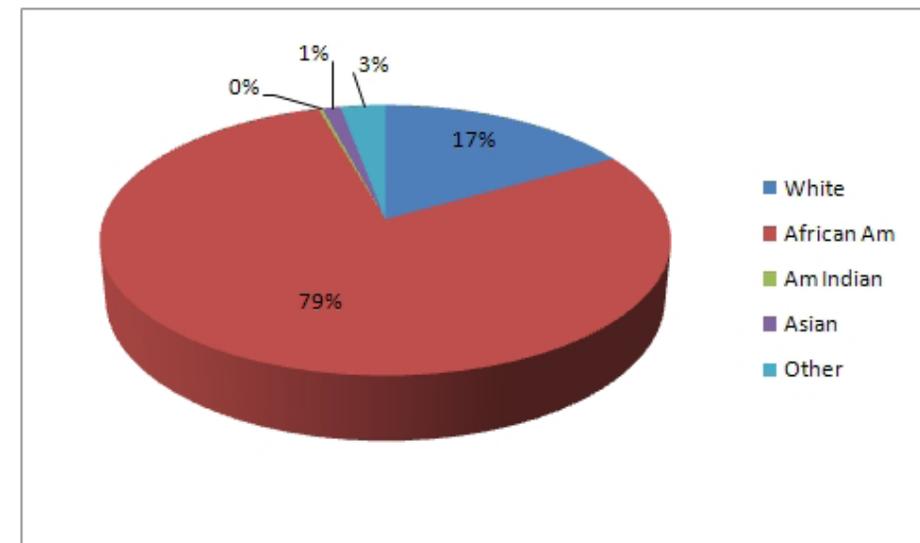
- The H Street NE trade area has a solidly middle-income base
- The median household income in the primary trade area is \$42,313 and is \$43,554 in the secondary trade area
- The median net worth of the households reflect some greater home values for owners and additional assets, likely a result of the mix of upper-middle, middle, and lower-middle income households
- Racially and ethnically, the trade area is majority African-American (79%). The next largest group is identified as "White" at 17% of the population of the total trade area. Latino and Hispanic households may identify as black, white, or other in census data*

*"Other" includes mixed racial populations or self-identified as such. The group may include Latinos or Hispanics who do not identify with another race. Latino and Hispanic are ethnic groups, not racial, but may include people of several racial groups

Income Statistics, 2007



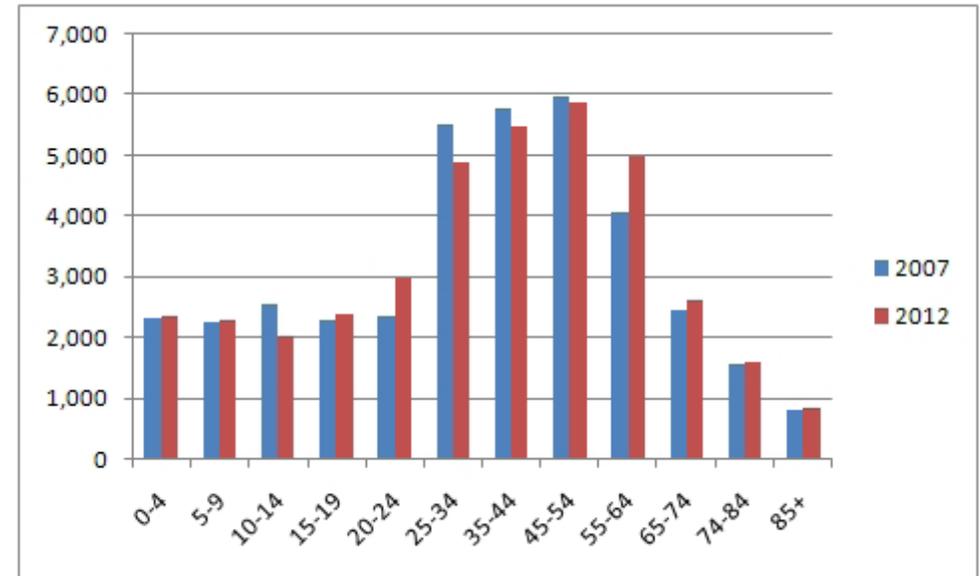
Racial and Ethnic Groups, 2007



Moderate projected population change in all age cohorts through 2012, particularly among young adults and empty-nesters, will reshape retail opportunities

- Age cohorts 25 through 34 and 35 through 44 will see a decline in population over the next five years, a negative indicator for residential demand
- Growth in the 55 to 64 cohort will increase demand for goods and services associated w/ "Empty Nesters" and those heading towards retirement; decreases expenditures associated with forming households
- Population growth among the 15 to 19 and 20 to 24 age cohorts indicates continued demand for family-oriented goods and services and young adult household formation-oriented items such as inexpensive furniture, quick service restaurants, bars, and pre-prepared foods at supermarkets

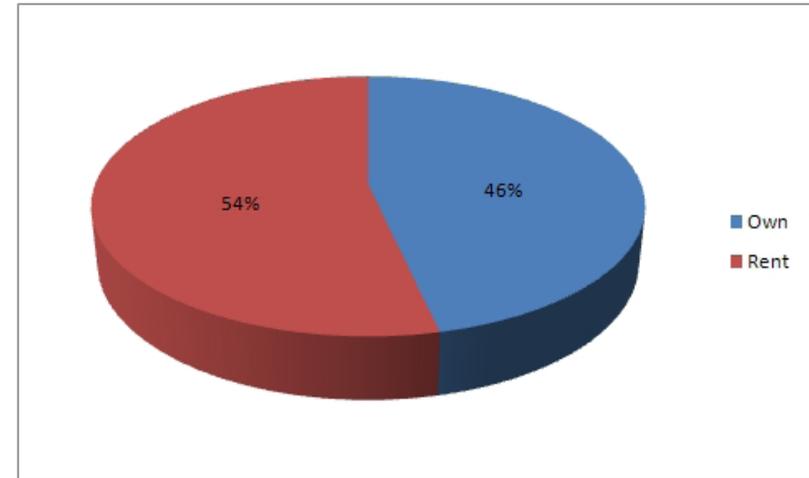
Trade Area Population by Age, 2007 and 2012



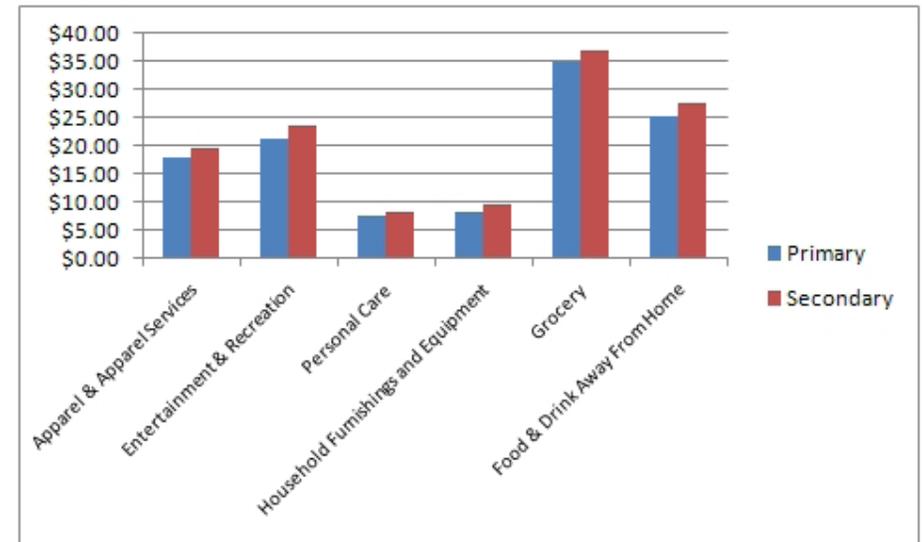
H Street NE Key Demographics: Trade Area Household Profile

- The ratio of “own” vs. “rent” in the total H Street NE trade area is fairly evenly split, indicating similar levels of demand for both types of residential product and a diverse group of existing residents
- Reviewing the trade area’s household expenditures provides a “snapshot” of how households spend their disposable dollars. In order to increase opportunities for retail sales in the community, the retail submarket needs to be able to capture more of the total expenditures available
- In 2007 trade area residents spent a total of \$241.6 million on products and services in the categories represented on the graph. This is total spending everywhere, not just in the trade area
- Food and drink away from home, especially in the secondary trade area, represents the second highest expenditures category in the trade area; grocery is the highest expenditure category

Home Ownership, 2007



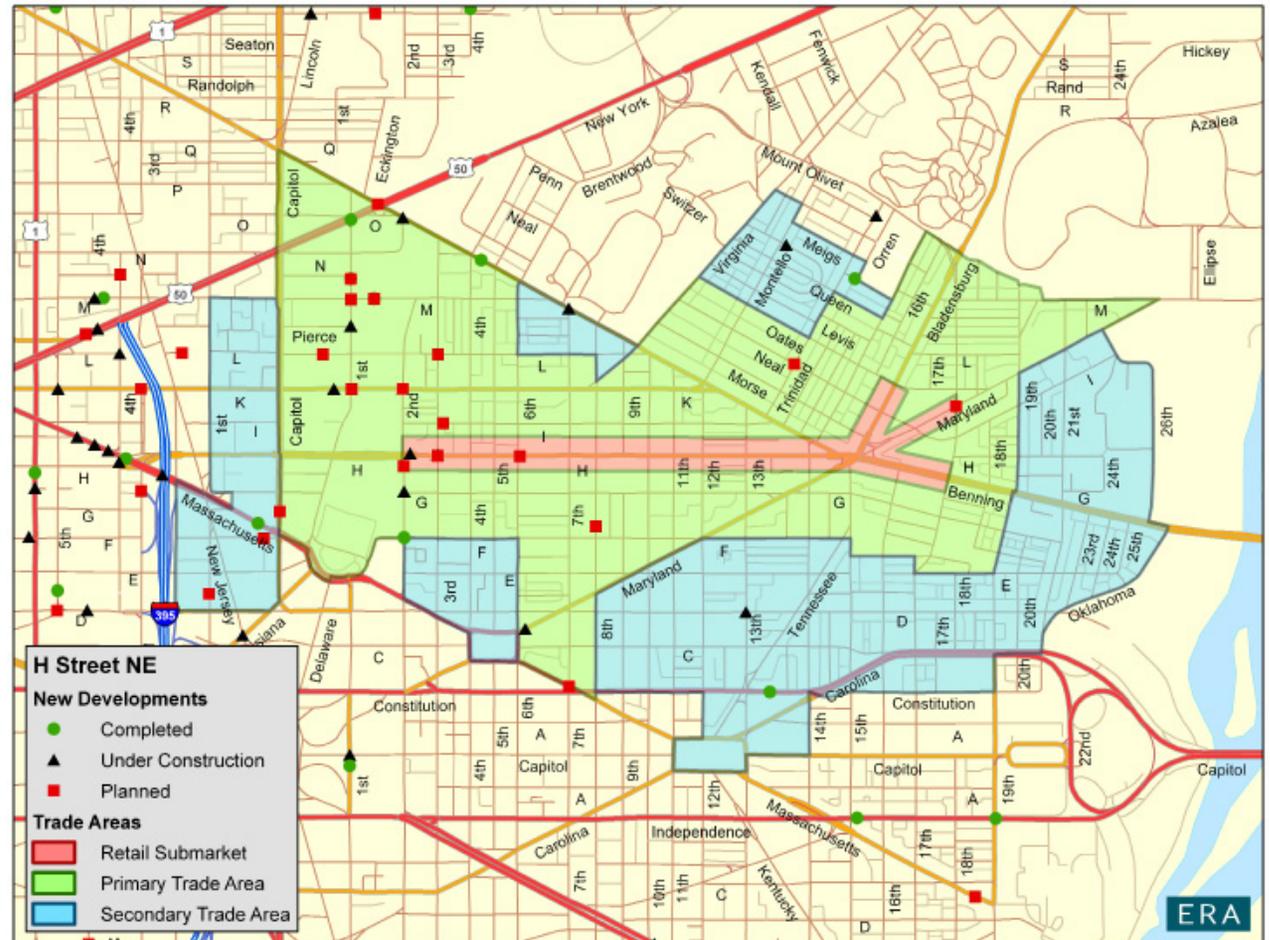
Household Expenditures (In Millions) by Category, 2007



Development Pipeline

Pipeline Projects

- There are multiple new developments in the H Street NE Avenue trade area that will deliver retail space within mixed-use projects
- Under Construction Retail- 46,000 Sq. Ft.:
 - Marriott Courtyard, 77 K Street, 1100 1st Street, and Union Place Ph.1
- Planned Retail- 271,002 Sq. Ft.:
 - Constitution Square, Capital Plaza, 3rd & H Street Place and other various projects
- There are several residential and mixed-use projects in the trade area adding new units
- Under Construction Residential (for-sale & rental) – 783 units
- Planned Residential (for-sale & rental) – 4,092



Overview of Market Demand Analysis

The purpose of the market analysis is to provide quantitative data that, combined with qualitative analysis in the Strengths-Weaknesses-Opportunities-Threats (SWOT) section, inform the retail development strategy for the submarket and provide a tool to DC government, private developers, retailers, and community organizations for developing retail business opportunities.

Developing Estimates of Supportable Square Footage

A key component of the quantitative analysis is the determination of the quantity of retail space supportable in each submarket. To calculate this, retail demand or spending within the trade area along with an estimate of the spending that the submarket could capture are measured. Various factors are taken into account in developing submarket capture rates, such as the quality of existing retail offerings and trade area competition. Retail spending potential for each major retail category (Convenience Retail, Specialty Retail and Food & Beverage/Restaurants other Food Service) is divided by the retail industry standard for sales-per-square foot (sometimes called retail sales productivity) to arrive at an estimate of retail square footage that the submarket can support. Submarket demand is compared to supply by subtracting the existing retail inventory to determine the net supportable square feet for retail space.

For potential future development in 2012, pipeline residential and commercial projects, and associated increases in trade area expenditures, are factored into future demand. On the supply side, the pipeline of "under construction" and "planned" retail projects is subtracted from the estimate of supportable retail space, as it is assumed that the new space will absorb an equivalent amount of space at the threshold productivity levels.

Generally speaking, retail market demand analysis should not be considered conclusive, as it combines "typical" and "industry average" performance measures with professional judgment based on local conditions and knowledge of the market and retail industry. There are several factors that will determine the success or failure of any individual retail business; that is why the industry is constantly changing. This analysis is intended to guide the Retail Action Strategy to opportunities to recruit potential successful retail categories based on estimated demand potential.

*Estimated retail spending potential is based on household spending patterns, household income and household composition as reported by the Consumer Expenditure Survey prepared by the US Census for the US Bureau of Labor Statistics. For retail sales productivity rates, ERA used a range of retail industry-based sales per square foot estimates based on the company's experience in urban commercial districts similar to each individual submarket, as shopping center industry standards do not always reflect comparable performance in either market orientation or financial structure by locally-owned businesses or by smaller/older commercial buildings.

Retail Demand: Primary Trade Area Supportable Retail Space

Retailers measure business success by comparing their sales per square foot or productivity against their costs and revenue objectives as well as reported retail industry standards for comparable types of stores. The amount retailers can afford to spend for rent is also determined by annual sales (both the total amount and sales per square foot per year). Retail rents usually range between 8 percent and 12 percent of total annual sales. This industry standard is a benchmark by which retail performance can be determined.

Local retailers whose sales fall below these industry standards may be considered to be underperforming; the reasons for underperformance may be a result of the size of the market, stronger competitors with better merchandise, merchandising, and/or better pricing, or undercapitalization. Underperforming retailers may cause the analysis of supportable square footage to be underestimated. The higher performing operators can capture market share from existing retailers as well as new customers not currently patronizing a commercial district. When considering a commercial location or district such as the submarkets included in this analysis, retailers often review the levels of rent achieved by property owners as an indication of the level of sales that other retailers are generating.

Lower average rent levels also influence the amount that property owners can afford to invest in property improvements to retain existing tenants or recruit new ones. If property owners are unable to offer tenant improvements because rents are too low, the retailers are then required to increase the amount they must spend to prepare a building to become a store, café, or consumer service business. The greater the amount the retailer is required to invest in space improvements, the greater the financial risk, resulting in additional financial pressures during the early years while the retailer is becoming established and building a customer base. Districts presenting a higher risk of failure have difficulty attracting well managed, well capitalized businesses.

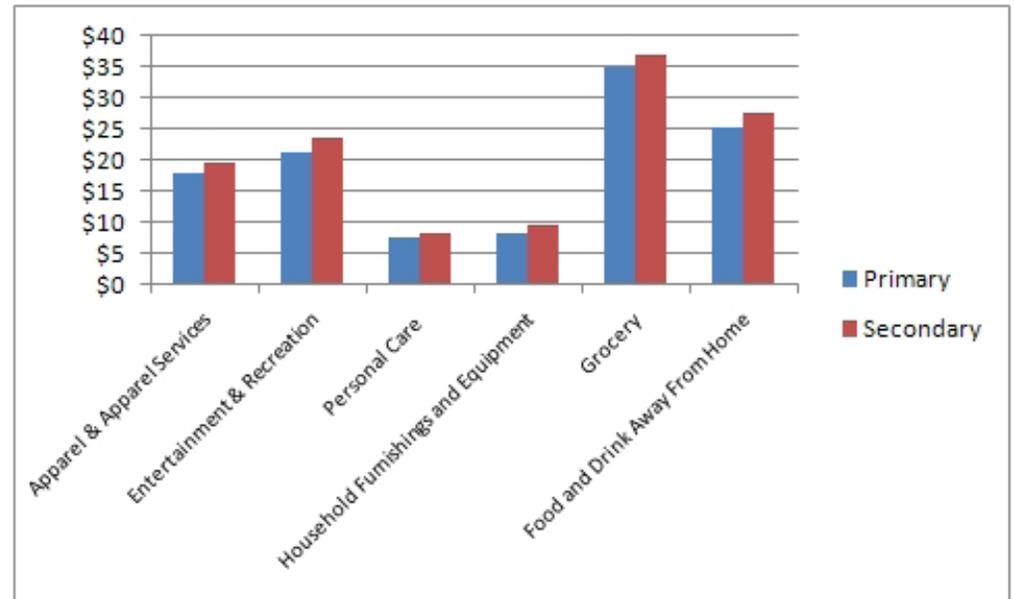
This relationship establishes the connection between the total sales that retailers can achieve, the amount they can afford to pay in rent, and whether the property owners will be willing (or able) to invest in major needed building upgrades (electrical systems, HVAC, or tenant improvements) to attract or retain retail tenants.

Trade Area Resident Spending

- Retail opportunities are measured using trade area retail expenditures, which describe consumer spending patterns
- Expenditures typically cover resident spending, but have been adjusted to include worker, visitor, and other spending, as appropriate
- Key categories include:
 - Apparel and Apparel Services
 - Entertainment and Recreation
 - Personal Care
 - Household Furnishing and Equipment
 - Grocery
 - Food and Drink Away from Home
- Entertainment and Recreation includes expenditures such as fees and admissions, TV/video/sound equipment, pets, toys, recreational vehicles, sports equipment, photo accessories, and reading
- Personal Care includes stores such as, drugstores (excluding prescription drugs) cosmetic stores, and services (nail salons, hair salons, shoe repair, etc.)
- Grocery (food and drink for consumption at home) absorbs the most expenditures for the households in the trade area

Trade Area Expenditures By Category (In Millions), 2007

\$241.6 Million Total



Capture rates are applied to total trade area expenditures in order to estimate potential expenditures within the retail submarket

A capture rate is calculated as a percentage of sales expected from households or inflow shoppers in the entire trade area.

The rate is developed by examining the trade area's existing retail offerings, quality of retailers, the potential for increased sales with improved retail operations, size of the trade area and a professional judgment considering nearby competition and other available retail purchasing opportunities for customers.

The analysis utilizes capture rates specific to the trade area to calculate likely on-site spending within the retail submarket. For example:

- A 10% capture rate = \$10 of every \$100 spent will occur in the retail submarket
- Note that 100% capture rate is not possible, as the rate reflects all retail purchasing opportunities available to the shoppers in the trade area
- The capture rate is generally a major determinate of a retail submarket's viability

H Street NE Capture Rates By Category

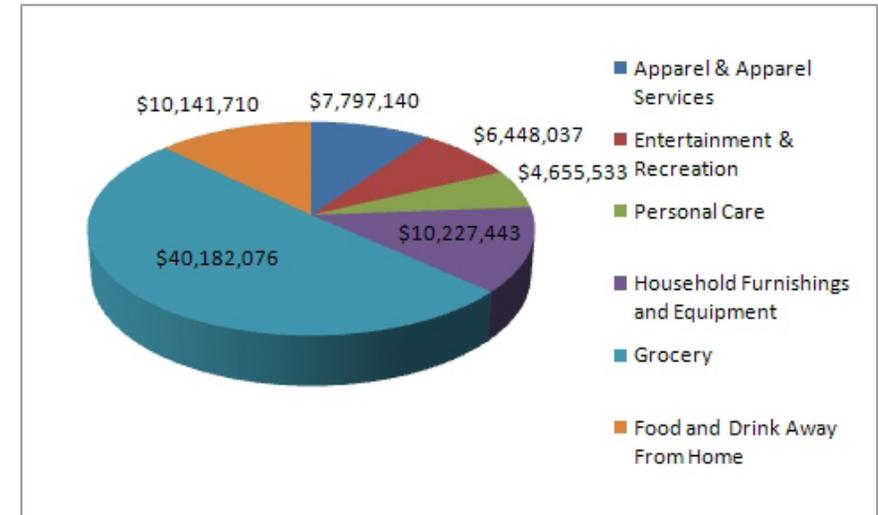
	Primary	Secondary	Inflow
Apparel & Apparel Services	25%	15%	5%
Entertainment & Recreation	20%	8%	4%
Personal Care	35%	20%	7%
Household Furnishings and Equipment	60%	40%	15%
Grocery	55%	35%	25%
Food and Drink Away From Home	20%	15%	10%

Source: ESRI Business Analyst; Economics Research Associates, 2007

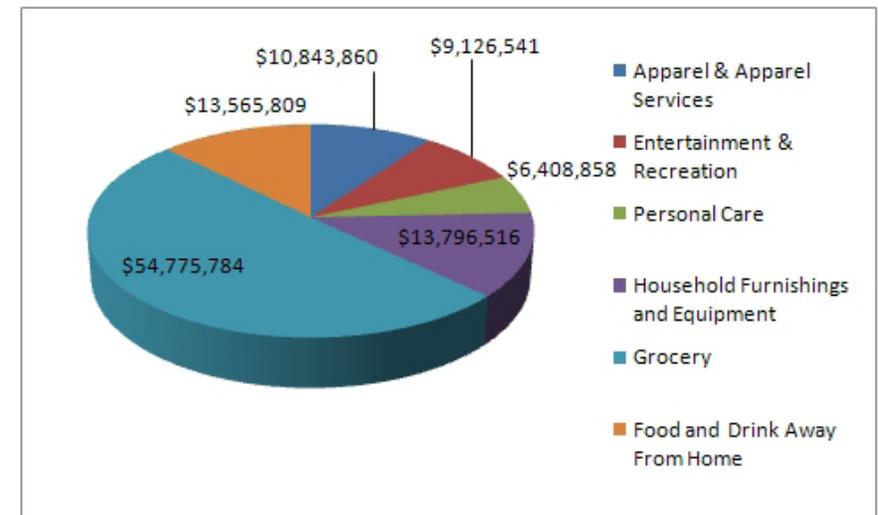
Estimated Captured Spending within the Retail Market

- Captured spending in the H Street NE trade area was estimated to be \$79.5 million in 2007 compared to total trade area spending of \$242 million in the same year
- Captured spending in the H Street NE trade area is expected to be \$108.5 million in 2012 compared to total trade area spending of \$314.4 million in the same year
- ERA estimates by 2012 that Grocery spending will account for more than \$54 million annually and Food and Drink (away from home) will account for more than \$13 million annually
- Captured spending in the retail trade area is expected to increase by more than \$29 million between 2007 and 2012, due mostly to significant changes in population and income levels

Estimated Captured Retail Trade Area Spending, 2007
\$79.5 Million



Estimated Captured Retail Trade Area Spending, 2012
\$108.5 Million



Productivity and Typical Store Size

- A calculation of store productivity is typically based on optimal performance of quality retailers, not actual operators
- However the lower quality of the retail space available in this retail submarket requires that a lower than “optimal” productivity rate must be used to adjust the supportable square footage calculation
- The square footage of retail type does not indicate number of stores since stores sizes vary

“Typical” stores sizes might be:

- Apparel 3,500 SF
- Accessories 2,000 – 10,000 SF
- Personal Care 2,000 – 10,000 SF
- Household Furnishings 3,500 – 10,000 SF
- Grocery Stores- 30,000 to 65,000
- Restaurants 3,000 – 6,000+ SF
- Quick Service food 1,200 – 3,500 SF

Source: ESRI Business Analyst; ERA 2007

H Street NE Submarket Comparable Productivity

- The best way to estimate a site’s productivity is to assess annual sales per square foot for comparable projects
- The type of retail often impacts the sales per square foot (i.e. jewelry versus furniture)

Category	Sales per Square Foot	
	Low	High
Apparel & Apparel Services	\$ 300	\$ 450
Entertainment & Recreation	\$ 250	\$ 400
Personal Care	\$ 300	\$ 550
Household Furnishings and Equipment	\$ 300	\$ 450
Grocery	\$ 350	\$ 550
Food and Drink Away From Home	\$ 450	\$ 650

1/ International Council of Shopping Centers, Dollars & Cents of Shopping Centers 2006

Source: Economics Research Associates, 2007

While the productivity rates used for this submarket were based on national averages as reported by the International Council of Shopping Centers (ICSC), ERA used the lower national rates to reflect space limitations and likely performance in the submarket. The rate still reflects the minimum productivity that would be needed for a quality retail operation return on investment.

2007 Net Supportable Square Feet

- Based on the current and projected level of households spending in the market area, the H Street NE submarket can support between 205,500 and 273,800 square feet of retail in 2007
- The existing retail inventory totals 515,482 square feet within the retail submarket. In order to take into account the lower quality space it was discounted to 103,090 square feet (see detailed explanation on page 18)
- The retail submarket has a net supportable square foot range between 111,810 and 183,410 in 2007
- Based on typical store size and spending patterns, the site can support one or more grocery stores, one to two small restaurants, and one or more entertainment/recreation stores such as a gym or book store
- While there is evidence suggesting support for a couple of apparel stores, such businesses perform best in a larger cluster

Estimated Net Supportable Square Feet 2007

Area	Low Range	Site Supportable	High Range
Apparel & Apparel Services	23,400	26,000	31,200
Entertainment & Recreation	23,200	25,800	31,000
Personal Care	14,000	15,500	18,600
Household Furnishings and Equipment	30,700	34,100	40,900
Grocery	103,300	114,800	137,800
Food and Drink Away From Home	20,300	22,500	27,000
Subtotal 2007 Supportable	214,900	238,700	286,500
Less Adjusted Existing Inventory 1/	(103,090)	(103,090)	(103,090)
Total 2007 Net Supportable	111,810	135,610	183,410

1/ Inventory adjusted for condition

Source: ESRI Business Analyst; Economics Research Associates, 2007

2012 Net Supportable Square Feet

- Based on estimated trade area expenditures and capture rates, the H Street NE submarket can support between 294,100 and 391,900 square feet of retail in 2012

- There is approximately 317,002 square feet of new retail planned for the trade area including retail at Constitution Square (80,000 square feet), Capital Plaza, 3rd & H Street Place, and Union Place

- The existing retail square footage and planned new projects are subtracted from the subtotal to arrive at net supportable square footage for 2012

- Due to the large amount of retail planned or under construction in the trade area there is approximately (28,000) net negative square feet of supportable demand by 2012

Estimated Supportable Square Feet 2012

Area	Low Range	Site Supportable	High Range
Apparel & Apparel Services	32,500	36,100	43,300
Entertainment & Recreation	32,900	36,500	43,800
Personal Care	19,300	21,400	25,700
Household Furnishings and Equipment	41,400	46,000	55,200
Grocery	140,900	156,500	187,800
Food and Drink Away From Home	27,100	30,100	36,100
Subtotal 2012 Supportable	294,100	326,600	391,900
Less Existing Retail 1/	(103,090)	(103,090)	(103,090)
Less New Projects 2/	(317,002)	(317,002)	(317,002)
Total 2012 Incremental Supportable	(125,992)	(93,492)	(28,192)

1/ Inventory adjusted for condition

2/ Includes retail at Constitution Square, Capital Plaza, 3rd & H Street Place, Union Place and various other projects
Source: ESRI Business Analyst; Economics Research Associates, 2007

What Does Negative Supportable Square Feet Mean?

- Negative supportable square feet indicates that, at a certain point in time, there may be more retail space than the current market expenditure potential can support
- Many existing retailers in Washington DC
 - (a) operate in lower priced spaces that can be considered functionally inefficient/obsolete (too small, too shallow, in poor condition, etc.) or
 - (b) are not well capitalized to compete in an improved environment. ERA has 'discounted' the square footage of these retailers in many areas to reflect the qualitative/competitive differences in operating capacity
- Markets evolve and shift as the amount and type of available retail changes; what today may appear to be oversupply can attract new spenders from outside the immediate trade area and become positive over time (such as Adams-Morgan or downtown Washington near the Verizon Center). A 'negative' supportable square footage estimate in 2012 does not mean an area is permanently oversupplied
- Retail submarkets may have a store mix imbalance and unfulfilled retail potential. These areas may have too much of one kind of retail and not enough of other types. An improved retail mix could increase demand and reduce the perceived oversupply of space.
- The retail submarket strategies will include programs and incentives to assist local retailers operating in growth/expanding markets where substantial new retail is being introduced

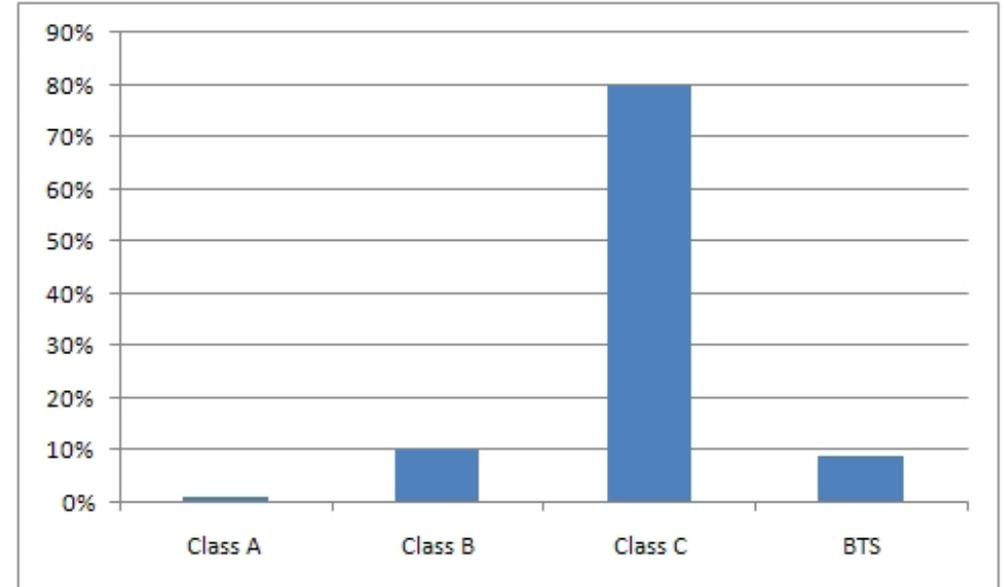
Commentary on the Current Retail Inventory

According to CoStar Group Real Estate Information Services, there is 515,452 square feet of retail space in the H Street NE retail submarket. To determine net supportable square feet, the existing retail space is subtracted from the gross supportable square feet. One major determinant of opportunity relies on the quality of the existing space – how competitive is the space relative to the rest of the trade area and other competitive districts?

A recent study of Great Streets neighborhood retail for the Office of the Deputy Mayor for Planning & Economic Development studied the quality of the existing retail space in several commercial districts to determine the feasibility of a tax increment finance (TIF) district, including H Street NE. While the study area did not coincide directly with the trade area, the assessment of the relative quality of the existing building stock suggests the general condition of the property inventory in the area.

The study concluded that 80% of the retail inventory in the trade area was Grade “C”, or inadequate, for contemporary retailing needs. It also stated that 9% of space was classified as “build to suit” (BTS), meaning space constructed for a specific purpose or tenant in such a manner that makes conversion to another use or tenant impractical. Only 1% and 10% were rated Class A and B, respectively. In order to calculate supportable square footage, the existing space was discounted by removing the Grade “C” inventory from the equation.

Retail opportunities are limited in the retail submarket partially due to poor quality of existing retail space, limited household incomes, and a lower concentration of households.



Inventory Adjustment

Existing Retail Inventory in Submarket	515,452
Less Discounted Space ("C" Grade)	412,362
Adjusted Existing Inventory	103,090

Source: DC Office of Deputy Mayor for Planning & Economic Development, CoStar

Multiple factors will ultimately affect the supportable square feet and success of the retail sub-market's offerings over the long-term

Factors Affecting Store Supportable Square Feet, 2007

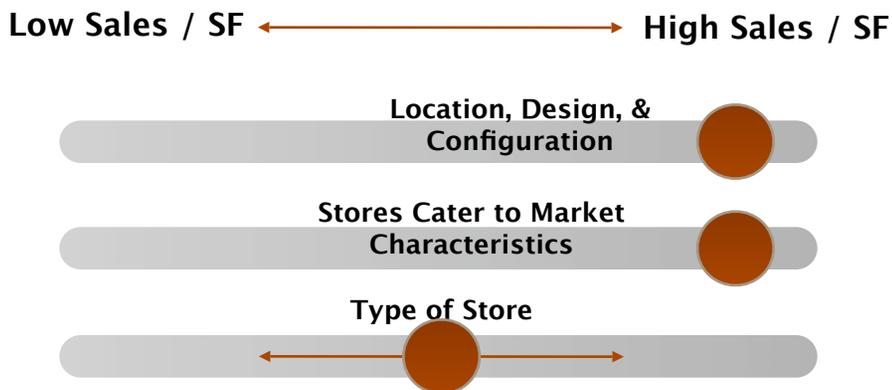


The success and appeal of a retail district is directly linked to its merchandise mix and its function as a destination

Incorporating other uses and programs may limit retail space, but complement overall project

The trade areas are capable of spending a certain amount. If more \$\$ are spent in one store less \$\$ will be spent elsewhere

Factors Affecting Store Productivity



A store's size, placement within the district, interior and storefront design are part of total appeal for customers

Price-points and merchandise should accurately reflect the demographics and lifestyle characteristics of the customers

Merchandise quality/price positioning/merchandising/mark-up relative to cost of goods, as well as store size and other operating factors, influence a retailers' profitability (Sales / SF)

Detailed captured retail spending on site by category and market

2007 Potential Captured Spending on Site

Retail Categories By Market	Potential Spending Captured On-Site	Expenditure Distribution by Category
Primary		
Apparel & Apparel Services	\$ 4,495,579	11.0%
Entertainment & Recreation	\$ 4,296,468	10.5%
Personal Care	\$ 2,708,199	6.6%
Household Furnishings and Equipment	\$ 5,088,541	12.4%
Grocery	\$ 19,223,997	47.0%
Food and Drink Away From Home	\$ 5,085,025	12.4%
Subtotal	\$ 40,897,808	100.0%
Secondary		
Apparel & Apparel Services	\$ 2,930,269	10.7%
Entertainment & Recreation	\$ 1,903,568	7.0%
Personal Care	\$ 1,642,766	6.0%
Household Furnishings and Equipment	\$ 3,804,888	13.9%
Grocery	\$ 12,921,665	47.3%
Food and Drink Away From Home	\$ 4,134,712	15.1%
Subtotal	\$ 27,337,868	100.0%
Inflw		
Apparel & Apparel Services	\$ 371,292	3.3%
Entertainment & Recreation	\$ 248,001	2.2%
Personal Care	\$ 304,568	2.7%
Household Furnishings and Equipment	\$ 1,334,014	11.9%
Grocery	\$ 8,036,415	71.6%
Food and Drink Away From Home	\$ 921,974	8.2%
Subtotal	\$ 11,216,265	100.0%
All Markets		
Apparel & Apparel Services	\$ 7,797,140	9.8%
Entertainment & Recreation	\$ 6,448,037	8.1%
Personal Care	\$ 4,655,533	5.9%
Household Furnishings and Equipment	\$ 10,227,443	12.9%
Grocery	\$ 40,182,076	50.6%
Food and Drink Away From Home	\$ 10,141,710	12.8%
Total	\$ 79,451,940	100.0%

2012 Potential Captured Spending on Site

Retail Categories By Market	Potential Spending Captured On-Site	Expenditure Distribution by Category
Primary		
Apparel & Apparel Services	\$ 7,296,564	11.2%
Entertainment & Recreation	\$ 6,806,566	10.5%
Personal Care	\$ 4,290,393	6.6%
Household Furnishings and Equipment	\$ 8,061,386	12.4%
Grocery	\$ 30,455,109	46.9%
Food and Drink Away From Home	\$ 8,055,816	12.4%
Subtotal	\$ 64,965,833	100.0%
Secondary		
Apparel & Apparel Services	\$ 3,030,922	10.7%
Entertainment & Recreation	\$ 1,968,955	7.0%
Personal Care	\$ 1,699,194	6.0%
Household Furnishings and Equipment	\$ 3,935,585	13.9%
Grocery	\$ 13,365,518	47.3%
Food and Drink Away From Home	\$ 4,276,738	15.1%
Subtotal	\$ 28,276,912	100.0%
Inflw		
Apparel & Apparel Services	\$ 516,374	3.4%
Entertainment & Recreation	\$ 351,021	2.3%
Personal Care	\$ 419,271	2.7%
Household Furnishings and Equipment	\$ 1,799,546	11.8%
Grocery	\$ 10,955,157	71.7%
Food and Drink Away From Home	\$ 1,233,255	8.1%
Subtotal	\$ 15,274,624	100.0%
All Markets		
Apparel & Apparel Services	\$ 10,843,860	10.0%
Entertainment & Recreation	\$ 9,126,541	8.4%
Personal Care	\$ 6,408,858	5.9%
Household Furnishings and Equipment	\$ 13,796,516	12.7%
Grocery	\$ 54,775,784	50.5%
Food and Drink Away From Home	\$ 13,565,809	12.5%
Total	\$ 108,517,369	100.0%

H Street NE Strategy



H Street NE

Introduction

H Street is an extended commercial corridor spanning 15 blocks, with end points where intersected by 2nd Street and 17th Street. Between these two points, the corridor is characterized by clear nodes dedicated to neighborhood-serving retail, regional entertainment and nightlife destinations and a larger-scale retail center. With an existing residential population projected to increase by over 4,000 people (based on pipeline projects, not Census projections), the submarket is prime for intensive investment in each of these nodes, though new retail development will be almost totally dependent upon successful implementation of these proposed residential projects. Because the corridor is almost 1.5 miles long, H Street can be expected to evolve in stages and areas, and will likely include some transitional/interim uses attracted by the scale, affordable rents and changing nature of the retail mix. Buyer behaviors and typical walking distances also suggest that H Street's retail mix be considered as complementary subareas rather than as a single retail shopping district.

U.S. Census data suggests that residential population growth in the H Street submarket will be minimal (only 245 additional people in the primary trade area through 2012), but based on data in the SWOT Analysis and Retail Demand Analysis, pipeline projects in the immediate area could bring another 4,000 residents. Any proposed retail development dependent on this new residential development will need to be carefully timed so that it can either succeed solely with existing consumption levels or come on line in conjunction with the new demand. New residents moving to the H Street sub area will also broaden the requirements and expectations of the consumer market, as they would likely have higher household incomes than the current primary trade area median household income of \$42,313. Therefore the positioning strategy for H Street retail should evolve at pace with the market, with new retailers reflecting the price points and merchandising of new spenders. Demand for groceries by higher income residents, for example, will not likely be met by the Murry's supermarket over the long term. Murry's serves the existing resident base, but may choose to relocate (or expand its offerings) over time. The addition of new residents, completion of the streetcar line and additional inflow consumers attracted by H Street's new residential/retail mixed-use buildings and entertainment venues will diversify the mix of uses along the corridor, much like U Street and Adams-Morgan in the early years of their evolutions to regional destination commercial/entertainment areas, The merchandising strategy should be positioned to acknowledge these market characteristics and respond according to the specific actions listed below.

Merchandising Concepts

The size and changing nature of the H Street submarket and its four distinct nodes suggest that the retail focus at each node be developed according to its own strategy. The higher values generated at the western end of the corridor can be expected to move east toward the starburst according to changes in the marketplace, introduction of complementary new uses and completion of the streetcar link.

Node 1- Union Station Gateway: At the western end of the submarket, proposed development of the air rights over Union Station as part of Akridge Company's Burnham Place project includes plans for three million square feet of new mixed-use development. The project would

extend over the Hopscotch Bridge into the H Street submarket. To capitalize on the larger sites in this node and to help transition from the proposed Burnham Place to the smaller-scale lots and buildings of H Street's pedestrian core, land uses at this end of the submarket (at all four corners of the H Street intersection with 3rd Street) should be targeted for high-density, mixed-use, transit-oriented development that includes a substantial residential component. Retail in this node would generally be located on the ground floor of the new residential and office projects. While proximate, this retail would be less likely to compete with the proposed retail offerings at Burnham Place and inside Union Station, and should be merchandised to complement these developments by seeking local and regional tenants which may be more rate-sensitive on rents. Specific retail types will likely provide convenience retail for residents and commuters, such as an urban-scaled (17,000 to 25,000 square foot) grocery store (as examples, specialty grocers (examples include Trader Joe's, Elwood Thompson or an urban-scaled Harris-Teeter). Because the development momentum is strongest near the Hopscotch Bridge, this area is most appropriate for a new grocery location, supported by other convenience businesses such as a dry cleaner, florist, bank ATM's, hair salons or other neighborhood-serving uses.

Node 2- Central Shops: The next node stretches from 4th Street to 12th Street, where development should focus on street-level neighborhood-serving retail, with an intensive concentration at the existing H Street Connection shopping center site between 8th and 10th Streets. The blocks surrounding 4th and 12th Streets should target mixed use infill development, not just with retail, to provide ongoing consumer support within the broader H Street corridor. A small specialty hardware store (such as True Value Hardware, ServiceStar or another buying cooperative hardware chain) combined with ethnic food cafes or as part of a mixed-use project in Node 1 – would complement office and/or residential development on the site and activate the street level for pedestrians. If sufficient food and beverage service critical mass can be created in this zone, the restaurants would both attract nearby resident expenditures as well as complementing the inflow market for arts and entertainment uses to the east. The presence of streetcar stops at either end of this zone will also create pedestrian traffic along this part of the corridor. Other uses could include a gym (such as Gold's Gym or Results).

Node 3- The Atlas Zone: From 12th Street east to 15th Street, the retail niche should build on the current cluster of performing arts buildings, bars and restaurants to create a dining and entertainment district with the critical mass needed to draw office workers, residents and visitors from the more intensive development at the western end of the corridor. The retail strategy in this node should expand offerings and support the existing restaurant and bar businesses with selected establishments providing complementary uses such as small, eclectic apparel and accessory shops (including vintage apparel), specialty books or music stores and kitchen/housewares shops (such as Home Rule), that could stay open late to serve those coming to the area for its nightlife and entertainment. This development, if sufficiently diverse in its offerings, will help the node to capture trade area spending on food and drink away from home – the second highest expenditure category in the trade area. Art galleries are also complementary to food service and cultural venues such as the Atlas Theater, and require lower expenditures for interior fit-up to be leasable and would serve the District's young, creative class seeking edgier, more emerging location alternatives than Dupont Circle and upper 14th Street. Appropriate retail concepts should be eclectic and tailored to the new residents and area/regional entertainment and dining customers seeking H Street as an urban destination such as a specialty bookstore (Second Story Books, Politics and Prose) or unique venues(such as Busboys and Poets).

Node 4- Crossroads: At the eastern end of the submarket, the Hechinger Mall site can be redeveloped as a regional retail anchor center. This size of the site provides one of the district's few remaining opportunities for larger national and regional retailers requiring larger floorplates and parking; additionally, the Starburst would have streetcar access.. A realignment of the Hechinger Mall site would serve to attract more inflow shoppers the submarket (particularly from the underserved neighborhoods to the east) while complementing, rather than competing with, the unique independent stores at the center of the corridor. Redevelopment of this site could include an upgraded Safeway supermarket that would capture a significant portion of trade area grocery spending. Alternatively, a large urban format store such as Target may consider the site; while the Hechinger Mall is over two miles from the new urban Target in Columbia Heights, there may also be other sites in the eastern part of the District that would be suitable for large format/big box stores, but the underserved population east of the Starburst would likely patronize an H Street location. Additional large format stores for this area could include Kohl's, Petco or PetsMart, The Sports Authority, Old Navy and Staples Office Supplies. In addition to the Hechinger Mall site, the remainder of the node offers opportunities for large-scale new residential development; these other locations – particularly the site of the proposed Arboretum Place project – however, should not be encouraged to include much retail as this will potentially compete with the neighborhood-serving retail located in the Mixed-Use Infill Zone in Node 2

Urban Design

The length and varying conditions along H Street make it more difficult to create a district identity. Consistent with the H Street NE Strategic Development Plan, the District should implement urban design improvements that create distinct gateways to the corridor at the eastern and western ends to create clear branding. H Street identity signage should emphasize both the continuity of the corridor and the unique nature of each zone, especially at the neighborhood-serving H Street Connection shopping center. To energize street corners and activate sidewalks, the DC Department of Transportation (DDOT) should implement the proposed Great Streets program sidewalk improvements along H Street, placing an emphasis on all intersections, including along side streets where sidewalk widths are in excess of 25 feet, where sidewalk café seating would activate the public spaces. If prioritization is required, the transit nodes for the streetcar stops should be implemented after the gateway markers are completed.

Storefront design guidelines should be followed to enhance both the sense of maintenance and retail activity, with a façade improvement program implemented throughout the corridor to accelerate improvements and support property owners and retailers with storefront-based locations. The storefront guidelines suggested in the Zoning Strategies and Tools for Regulation of Retail Uses are a strong beginning on how to design the storefronts, and should serve as the basis of appropriate design improvement program.

The District and the local business association should also promote appropriate mixed-use (office/retail and residential/retail) infill development along the central nodes of the H Street corridor that is consistent with the scale of commercial buildings already in place.

Transportation Improvements

With high density residential and office development at the western end of the corridor and proposed re-development of a regional shopping

center and significant new residential at the other, moving people safely through the corridor is an important component of any retail strategy. The proposed streetcar line would be an attractive option to entice shoppers to travel throughout the corridor. A complementary strategy to accommodate visitors to the area would be to design for and operate a taxi stand in or near the restaurant and entertainment district. For those driving to or through the submarket, a public parking garage mid-corridor, or public support for additional publicly-available parking as part of private developments, would make the area more competitive a destination.

H Street itself should be transformed into a more pedestrian-friendly environment as part of the streetcar project. If possible (and depending upon the track alignment) a mid-street stopping point would make the corridor more safe and would more easily connect both sides of the street into a single retail district. More intensive redevelopment of the starburst intersection at the eastern end of the submarket, per DDOT's existing plans, would also enhance the safety and attractiveness of H Street's pedestrian experience.

Retail Support

To provide opportunities for existing retailers within the submarket to remain in the area and succeed as the market environment changes, the Department of Small Local Business Development (DSLBD) should initiate technical assistance programs with area retailers now. These programs should focus on preparing retailers to adjust their product or services and price points to accommodate both their current and future customer bases, as well as identifying retailers with the capacity to relocate from their current locations to sites within the new mixed-use developments, as appropriate.

DSLBD and the DC Commission on the Humanities should work with the local merchant association to support public space programming that gets people outside and on the street. To facilitate coordination between the entertainment district businesses and their residential neighbors, the District should support implementation of a responsible hospitality district association.

Supportable Square Footage and Evolving Markets

As described in the market analysis, the H Street study area is an evolving market that (when pipeline projects are taken into account) will have more retail space than is supportable under existing and near-term market conditions. This estimate, sometimes indicated by so-called "negative" square footage, should not be viewed as a permanent condition, and will be affected by both near-term improvements as well as longer-term (beyond the five-year study period) growth through projects such as Burnham Place and other nearby development projects representing millions of square feet of new residential and office space. Available expenditures and the rate at which H Street can capture a share of those expenditures will be based on both median household income levels as well as the quality and quantity of retail uses that are retained and recruited to the corridor's four nodes.

To put into perspective the incremental resident demand needed to balance the planned under-supported/"negative" space, using a disposable income estimate based on present and projected median household income levels for the primary and secondary trade areas and reasonable

capture rates, expenditures from approximately 13,600 additional households would be required to place retail supply and demand in balance. Some of these resident expenditures may occur as inflow from beyond the primary and secondary trade areas as the H Street Corridor continues to emerge as a cultural/entertainment and dining district with regional appeal. Longer term, growth in nearby office space can add employee-based spending as well, potentially providing another share of market support, particularly in the two western nodes of the H Street study area.

Based on reasonable percentages of household income spent on retail/dining/consumer services and an assumed rate of capture reflecting a good, typical mix of available offerings, each new resident in a commercial area supports between four and seven square feet of retail space. Each new employee will support between two and five square feet. The tourist/visitor market is less likely to be a major contributor to the H Street corridor in the near term; each visitor supports between one-half and one and one-half square feet of retail. In all cases, the range of supportable square footage is based on available retail offerings, the quality of the public spaces and continuity of retail within the corridor, and relative proximity to where people live, work, or want to visit an attraction. The relative differences in spending support indicate the importance of the resident and (beyond the five year study period) employee markets to provide sales for the additional retail space.

Key Recommendations

1. Ensure that retail planning considers the distinct nodes within the submarket, each requiring a unique merchandise mix and development strategy.

Node 1: Focus on high-density transit-oriented development at all four corners of the intersection at H and 3rd Streets, with retail uses that do not compete with H Street's entertainment district toward its eastern end. This should include a new specialty grocery as well as small-scale convenience retail uses serving this subarea's new residents and workers (hair salons, bank/ATM facilities, dry cleaners) and cafes and casual dining locations serving both residents and workers.

Node 2: Build on and upgrade the appearance of neighborhood-serving retail between 4th & 12th Streets, with a concentration within a mixed-use building at the H Street Connection site. Pair the infill development with addition of ethnic restaurants and recruit a neighborhood-scaled, locally managed hardware store and other resident-serving uses.

Node 3: From 12th Street east to 15th Street, build on the current cluster of performing arts buildings, bars and restaurants to create a larger dining and entertainment district featuring art galleries, performance spaces, and an ethnic restaurant cluster that complements the arts/cultural focus and better captures the significant trade area spending in this category.

Node 4: Support redevelopment of the Hechinger Mall site as a regional center with larger national and regional retail tenants and complete DCDOT plans for pedestrian improvements. Explore potential big-box users and enhancement of the existing Safeway to draw

both local area and inflow resident shopping from neighborhoods to the east and south. Large format retailers could be category-dominant home improvement, auto parts, electronics, or general merchandise.

2. Implement existing urban design plans to accomplish the following.

- a. Create distinct gateways to the corridor.
- b. Energize street corners and activate sidewalks, especially where sidewalk width would support outdoor seating areas.
- c. Complete façade improvements and infill development.

3. Improve the transportation infrastructure via the following.

- a. Implement the street car plan to link the entire corridor.
- b. Install City Bike stations at transit connections to create multiple modes of movement
- c. Consider the demand for a public parking garage mid-corridor.
- d. Permit and operate a taxi stand in the entertainment district.
- e. Transform the starburst intersection at the eastern end of the corridor into a more pedestrian-friendly crossing.

Support local retailers via technical assistance and organizational support for a responsible hospitality district association. When Burnham Place and other class A projects are completed, monitor H Street rents to prevent upward rental rate pressures from displacing viable, but not 'credit tenant' retailers from relocating out of the area (credit tenants are retailers with sufficient financial stability and acceptance by the financial community as to be used as a method of financing real estate development).