EXHIBIT NO. 1

WS
12-14-10

CITY COUNCIL WORK SESSION
on the
CARLYLE RETAIL STUDY
AND
THE EISENHOWER AVENUE REDESIGN *
(FROM HOLLAND LANE TO STOVALL STREET)
TUESDAY, DECEMBER 14, 2010
5:30 P.M.
CITY COUNCIL WORK ROOM

AGENDA

I.	Welcome and Comments by the Mayor	Mayor William D. Euille
II.	Carlyle Retail Strategies	Faroll Hamer, Director of Planning H. Blount Hunter, *H. Blount Hunter Retail & Real Estate Research Co. & Chapman Consulting* Gwen Wright, Development Division Chief- Planning Katye Parker, Urban Planner- Planning & Zoning
III.	Questions and Discussion	City Council
IV.	Adjournment	

* Please note that the Eisenhower Avenue Redesign work session needs to be postponed as City staff continues to work on design options.

Individuals with disabilities who require assistance or special arrangements to participate in the City Council Work Session may call the City Clerk and Clerk of Council's Office at 746-4500 (TTY/TDD 838-5056). We request that you provide a 48-hour notice so that the proper arrangements may be made.

el Retail

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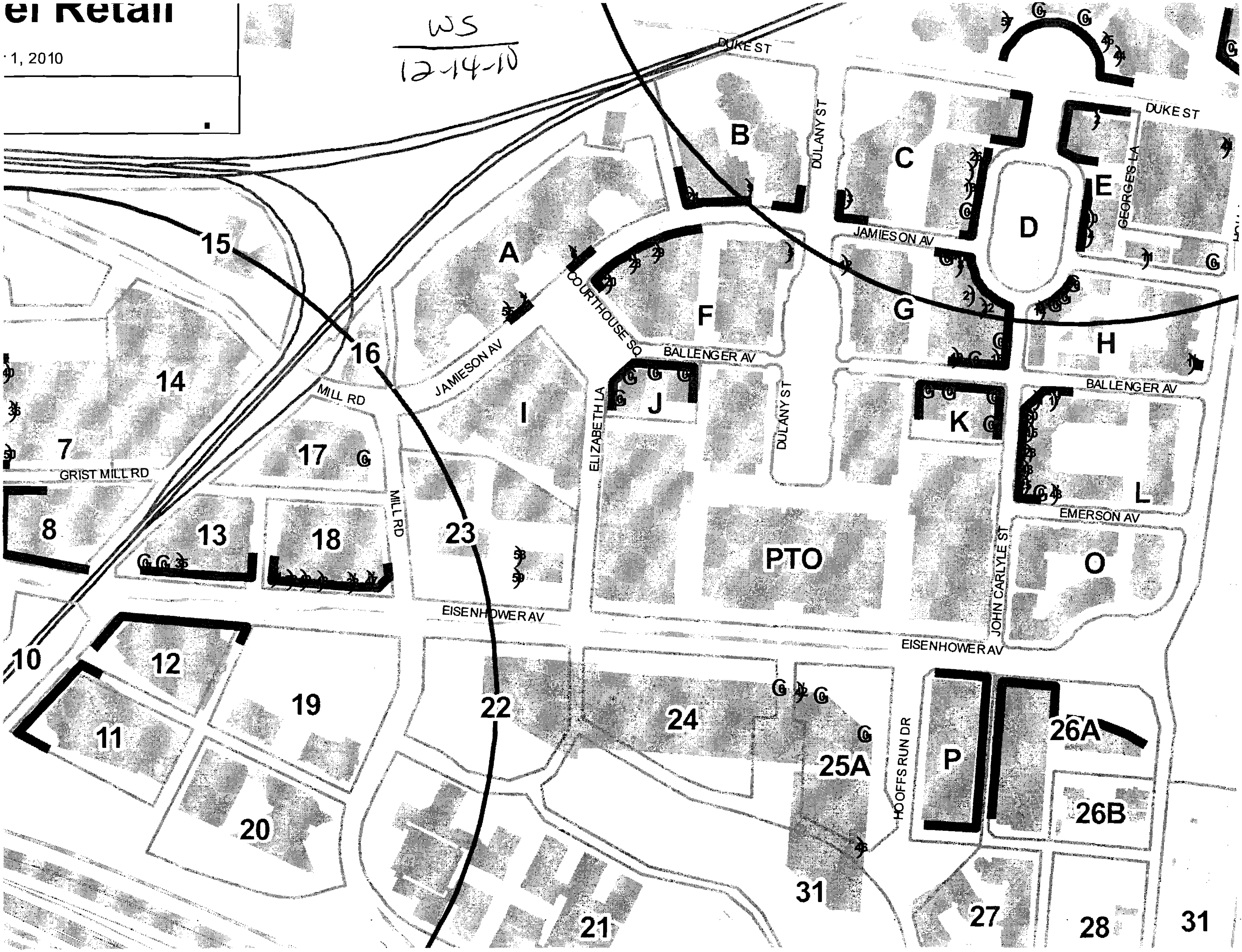
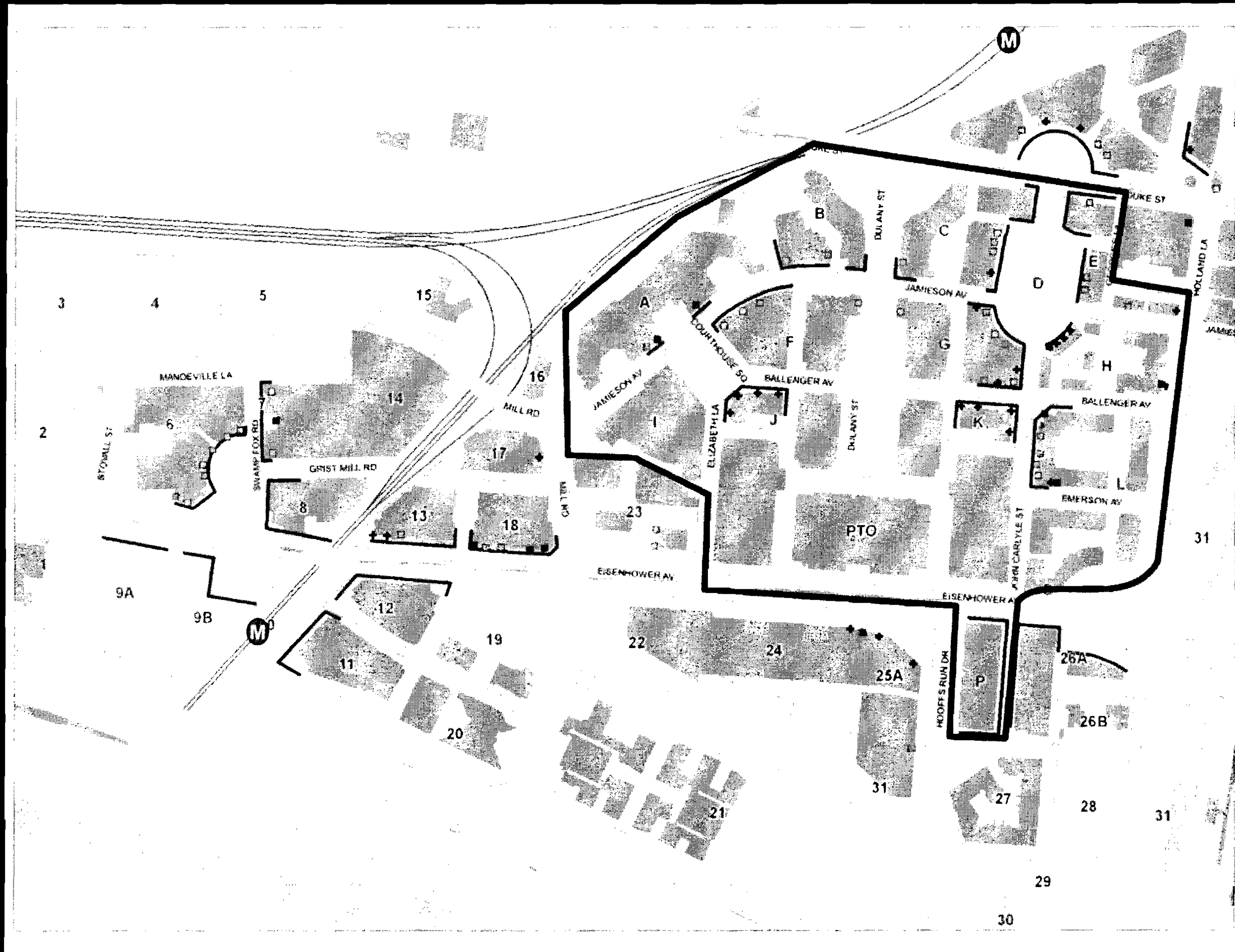


WS - 12/14/10

CARLYLE RETAIL STRATEGIES

- Background of Development
- Findings and Recommendations from the Retail Assessment for the Owner of Block P
- Staff Follow-up and Recommendations

Carlyle Retail Strategies



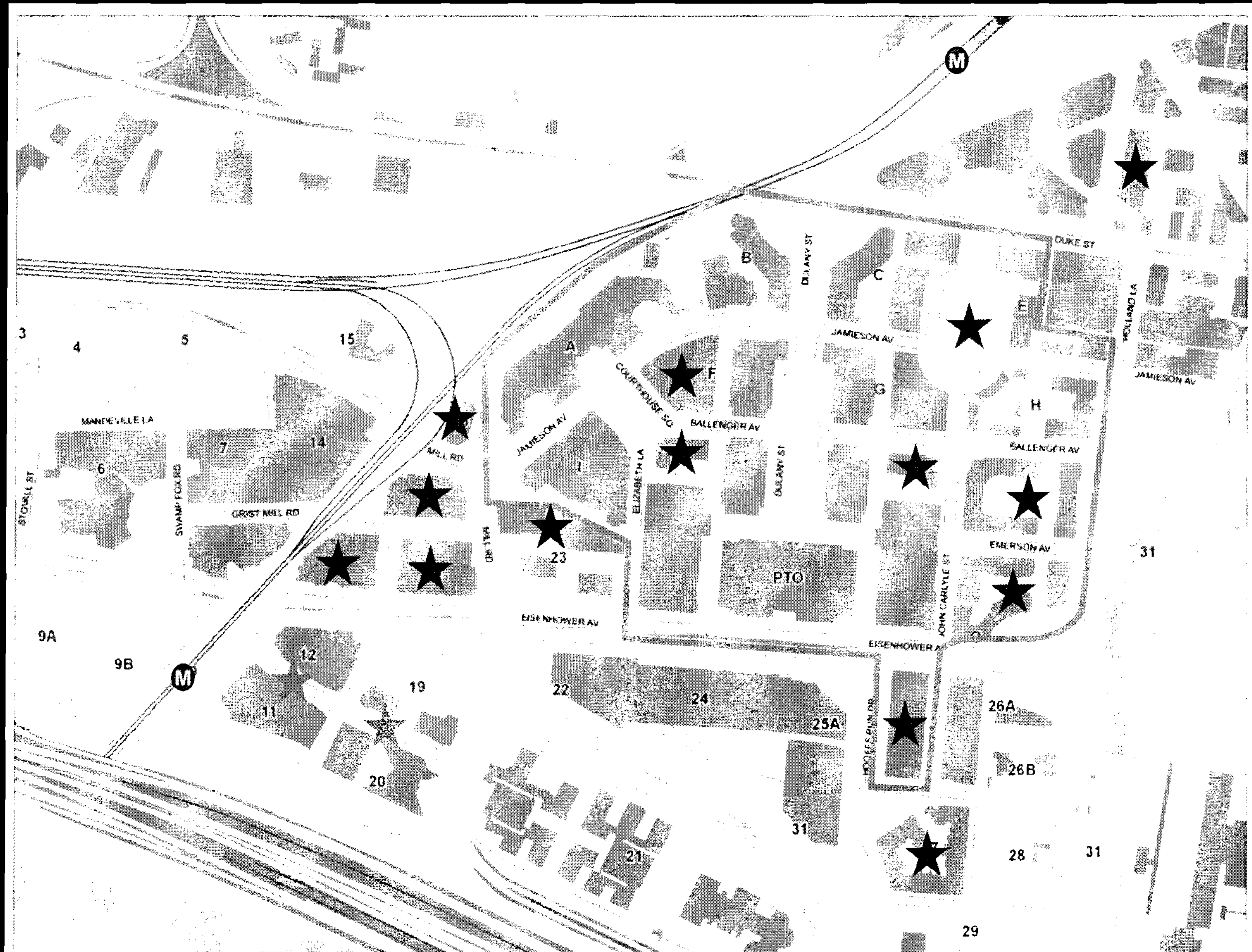
Carlyle Retail Strategies

Background

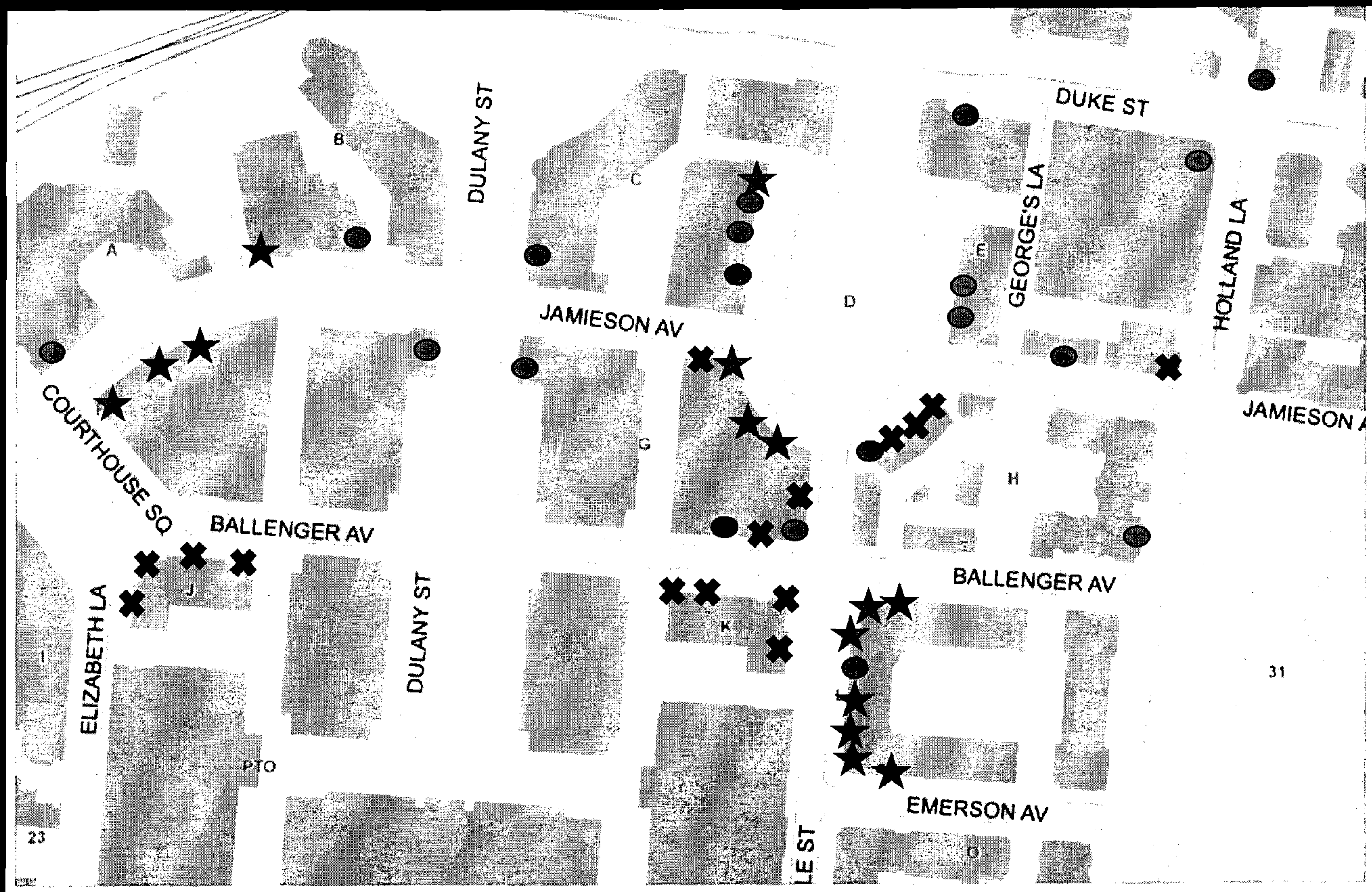
- The Carlyle SUP approved nearly 7,000,000 sf of development
  - 4,000,000 sf of office (58%) PTO is 2.5 million sf
  - 2,025,000 sf of residential (30%) – 1,700 units
  - 230,000 sf of hotel (3%)
  - 235,000 sf of retail (3%)
  - 400,000 sf for the Courthouse (6%)

- All of this has been constructed with the exception of Block O (342,000 sf residential) and Block P (371,000 sf office/retail).

Carlyle Retail Strategies



Carlyle Retail Strategies



Carlyle Retail Strategies

Why Are We Here?

- Amendments to the Carlyle SUP
  - Block C (333 John Carlyle St) – November 2009
  - Blocks G, J, and K – January 2010
  - Block O – March 2010
- Administrative approvals for flexibility in retail space
- Overall Retail Vacancy

Carlyle Retail Strategies

Why Are We Here?

- South Carlyle Planning Strategy
- Retail Assessment by consultant hired by owner of Block P
- More information on this planning strategy will be provided at a later date

EISENHOWER EAST RETAIL ASSESSMENT

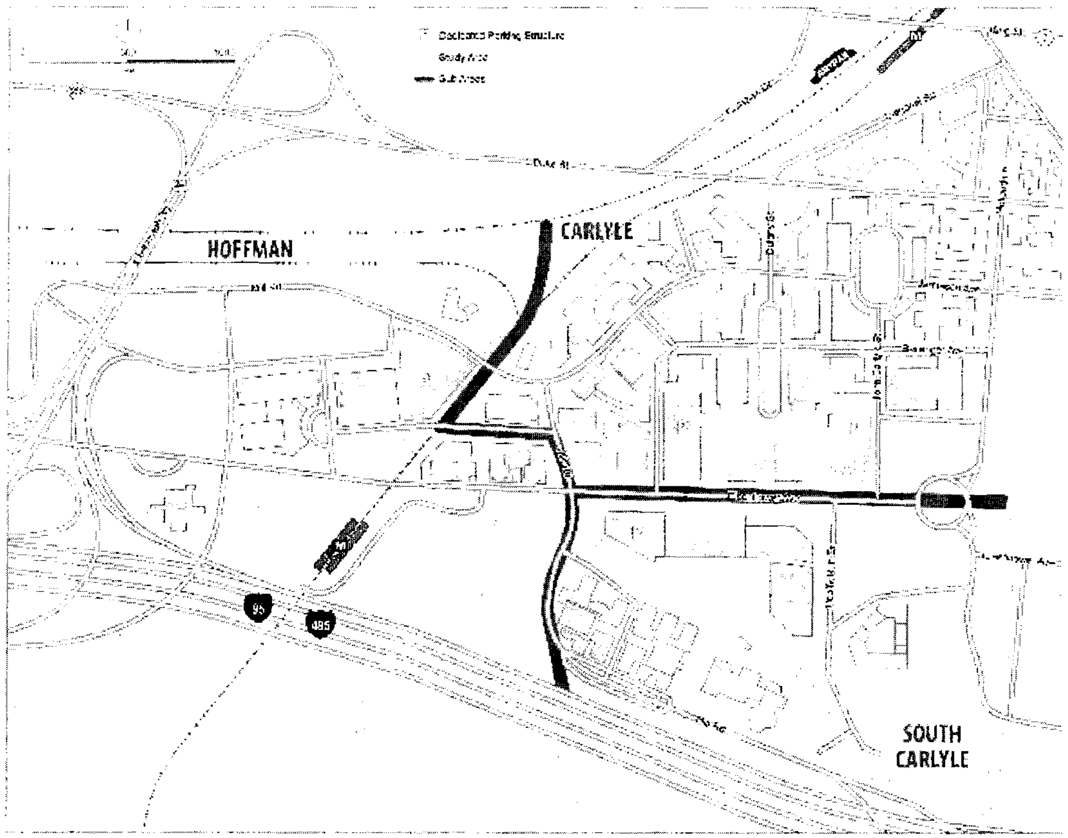
PRESENTATION OF FINDINGS

H. Blount Hunter Retail & Real Estate Research Co.
Chapman Consulting

CONSULTANTS

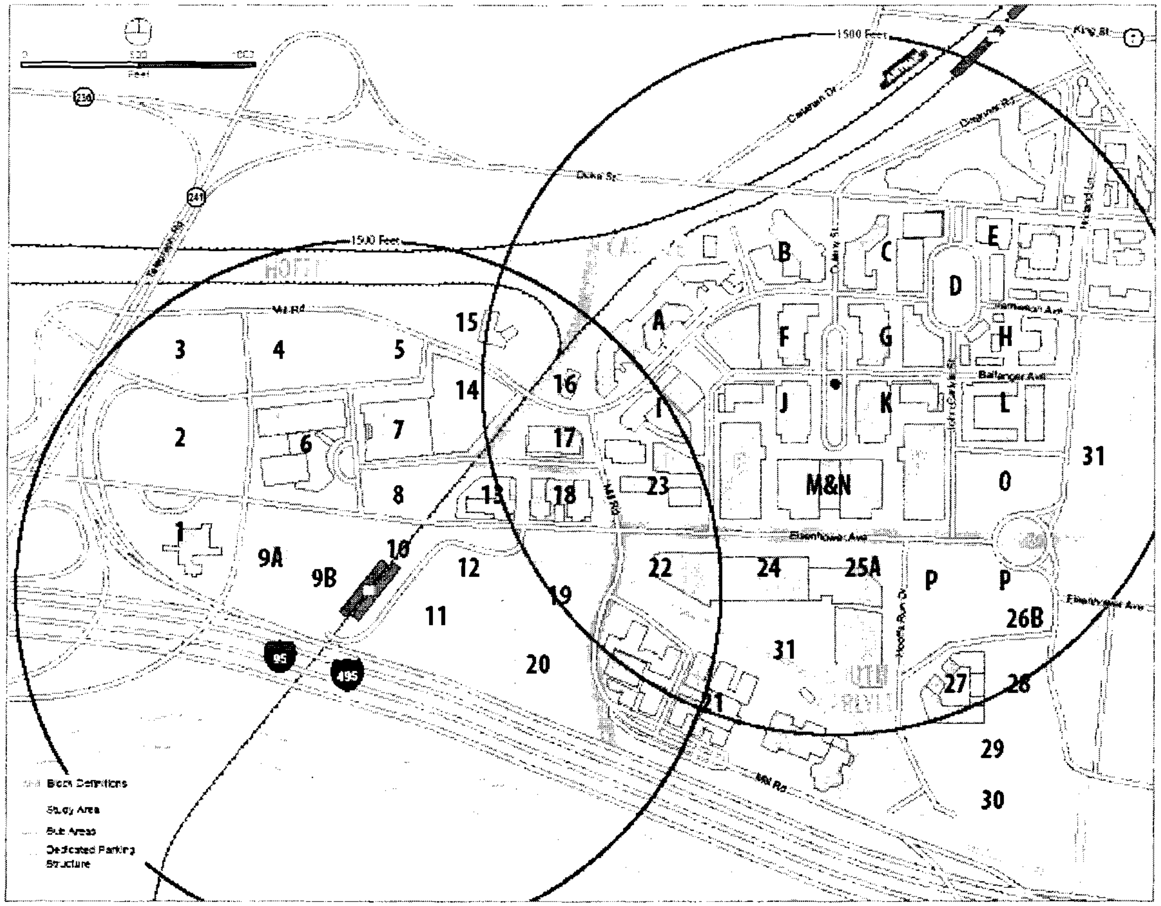
- **BLOUNT HUNTER**
  - 30 years in retail / real estate research
  - The Rouse Company
  - Independent practice since 1996
  - Local assignments: Tysons Corner Center, Dulles Town Center, DC CityCenter, WCCA, Mazza Gallerie
- **JOHN CHAPMAN**
  - 35 years in real estate research
  - The Rouse Company
  - HSG / Gould Associates
  - ICSC (Director of Research)
  - Local assignments: Downtown DC BID, Reston Town Center, Georgetown Park

EISENHOWER EAST STUDY SUBAREAS: Hoffman, Carlyle, South Carlyle

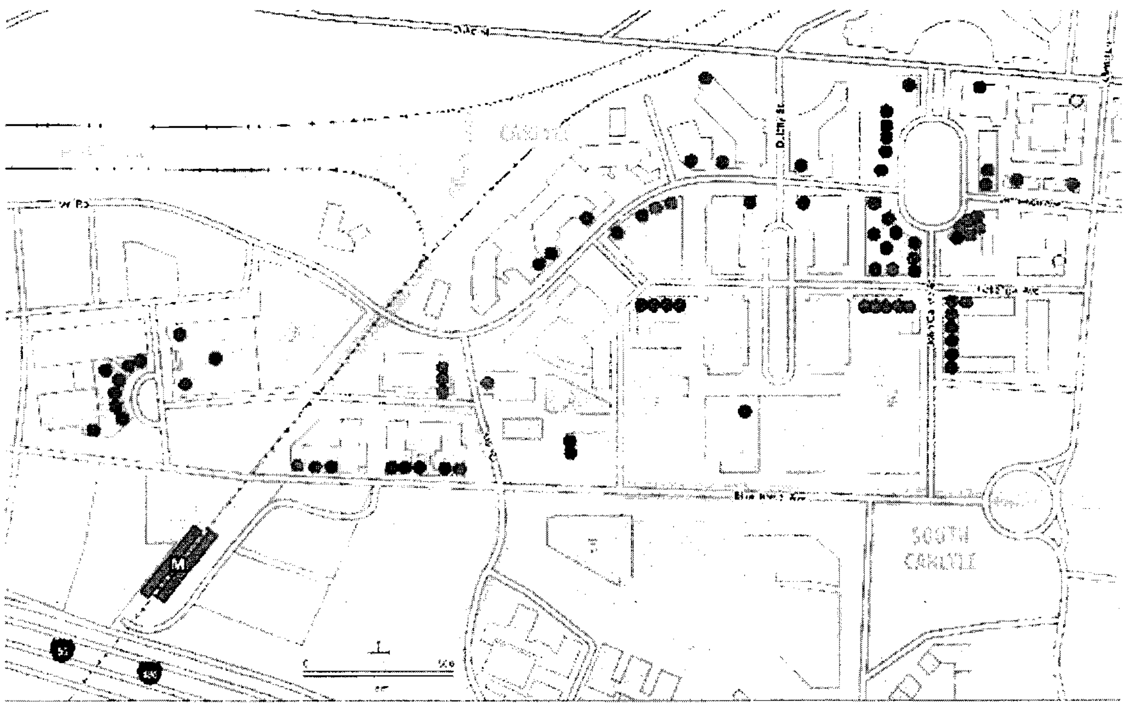


Study Area and Sub Areas

WALKING DISTANCE (1,500 FEET)



DECENTRALIZED RETAIL SPACE



Occupied Retail Space in Carlyle & Hoffman Sub Areas

- Food Service
- Grocery/Convenience Retail
- Financial Services
- Personal/Business Services
- Other Retail/Commercial Use
- Vacant
- Blocks Allocated Additional Retail Space
- Dedicated Parking Structure
- Study Area
- Sub Areas

CONCLUSIONS

1. There is too much required "retail" space in Eisenhower East Study Area as a whole and in Carlyle in particular; "retail" space is too decentralized.
2. Demand generators are more likely to support neighborhood-serving food/beverage, "convenience" goods and services than destination "comparison goods."

CONCLUSIONS

3. Existing "retail" vacancy may be chronic because of the quality and placement of retail spaces.
4. Pending "retail" development plans will not alter the future retail positioning of Eisenhower East.

PHYSICAL CHARACTERISTICS OF GOOD RETAIL SPACE

- Clustered into a critical mass (perception and function)
- Space for anchor(s) with appropriate amount (ratio) of small tenant space
- Retail architecture and appropriately-configured space (windows, bay depth, columns/ceiling height)
- Accessibility to consumer market(s)
- Parking infrastructure, transit access
- Double-loaded blocks, continuous storefronts, contiguous retail blocks, limited length of walking area, strong sightlines

EISENHOWER EAST— CHALLENGES TO RETAILING

1. ***<u>Insular area</u>***—not integrated with Old Town and adjacent areas physically or conceptually despite proximity
2. ***<u>Minor beneficial impact from transit</u>***
3. ***<u>No cohesive retail master plan</u>*** created and executed by a single retail developer
4. ***<u>Retail space (built and planned) exceeds internal support capacity; dependent on external demand that has not materialized (or may never be tapped)</u>***
5. ***<u>Physical limitations of space as located and built</u>***

EISENHOWER EAST / CARLYLE COMPREHENSIVE VIEW

- 446,000 SF existing "retail" space / 129,000 SF vacant (29 percent)
  - ***Existing vacancy is likely "chronic"***
  - Most ***vacancy concentrated in Carlyle Subarea*** which is largely built-out (35 percent current vacancy)
- 684,000 SF total "retail" space at build-out
  - ***Future development will favor Hoffman Subarea and will not provide enough "lift" to fill all retail space built within Carlyle Subarea***
- Current retail SF ***exceeds Pentagon City's specialty GLA***

RECOMMENDATIONS

- **THROUGHOUT EISENHOWER EAST / CARLYLE:**
  - ***Broaden definition*** of allowable "retail" uses to include many types of "active commercial uses"
  - ***Encourage implementation of BID*** for marketing/branding and operations
  - Enhance internal and external ***transit connectivity***
- **HOFFMAN SUBAREA:**
  - ***Adjust expectations*** for retail merchandising direction in light of physical design of retail spaces and grocery store as predominant retail anchor

RECOMMENDATIONS

- **CARLYLE SUBAREA:**
  - Use ***event programming as a strategic tool*** to generate traffic to drive food and beverage sales
- **SOUTH CARLYLE SUBAREA:**
  - Consider ***reallocating "retail" space to other uses***
  - Consider ***increased density*** in this subarea as a means of supporting existing "retail" capacity in Carlyle (especially John Carlyle Street)

Stakeholder Interviews

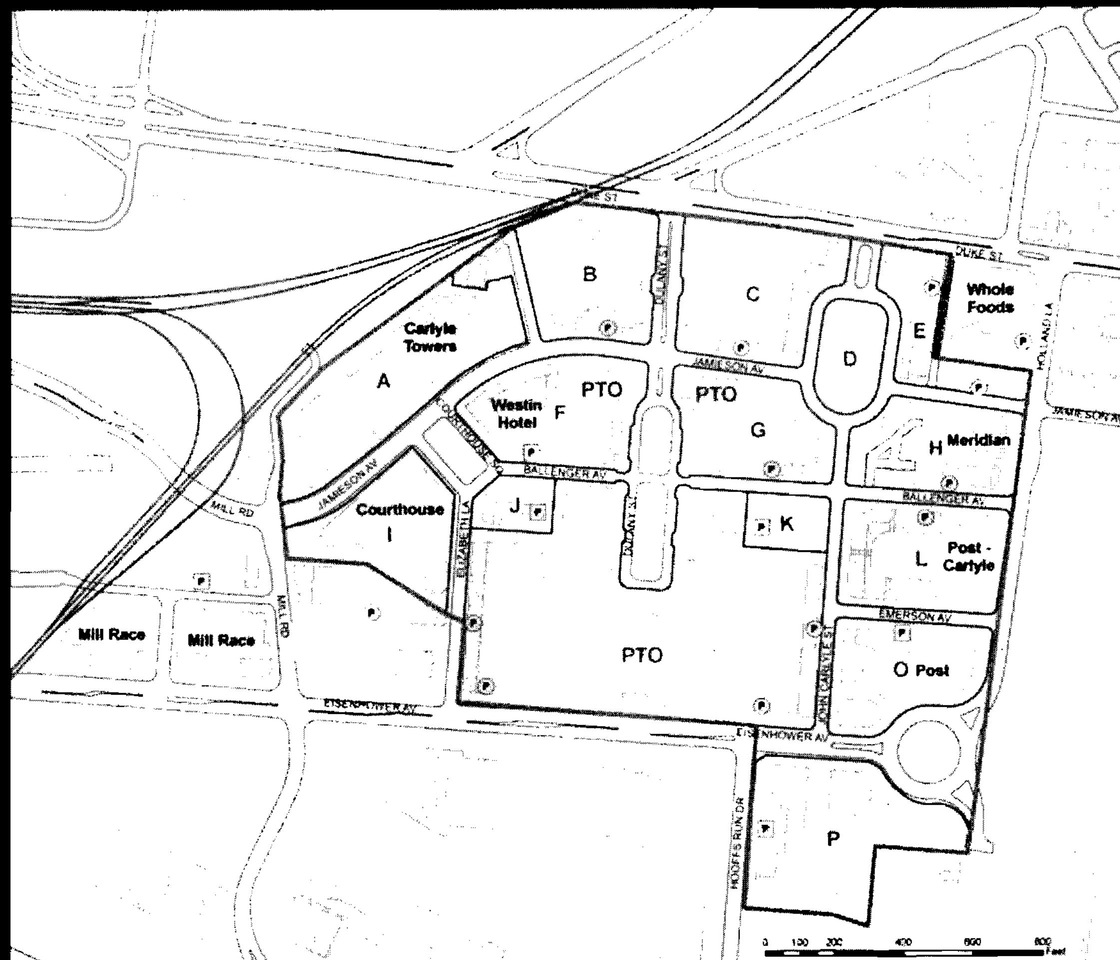
- LCOR
- SHRM
- Michael Lane Properties
- JM Zell
- Carlyle Club
- Brandt Properties
- Hoffman Company
- Carr Hospitality
- Edmundson Plaza

Block K – LCOR Office Building

Carlyle Retail Strategies

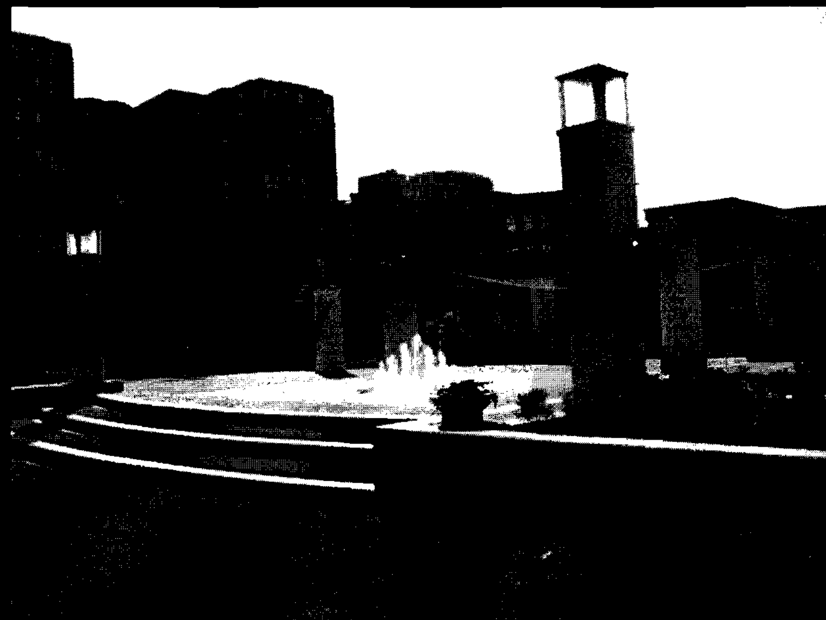
Issues that came out of the interviews

- Finding parking is still difficult
- Meters have helped, but those hours are only weekdays
- Plenty of parking in garages, but they are hard to find and sometimes not open outside of office hours



Issues that came out of the Interviews

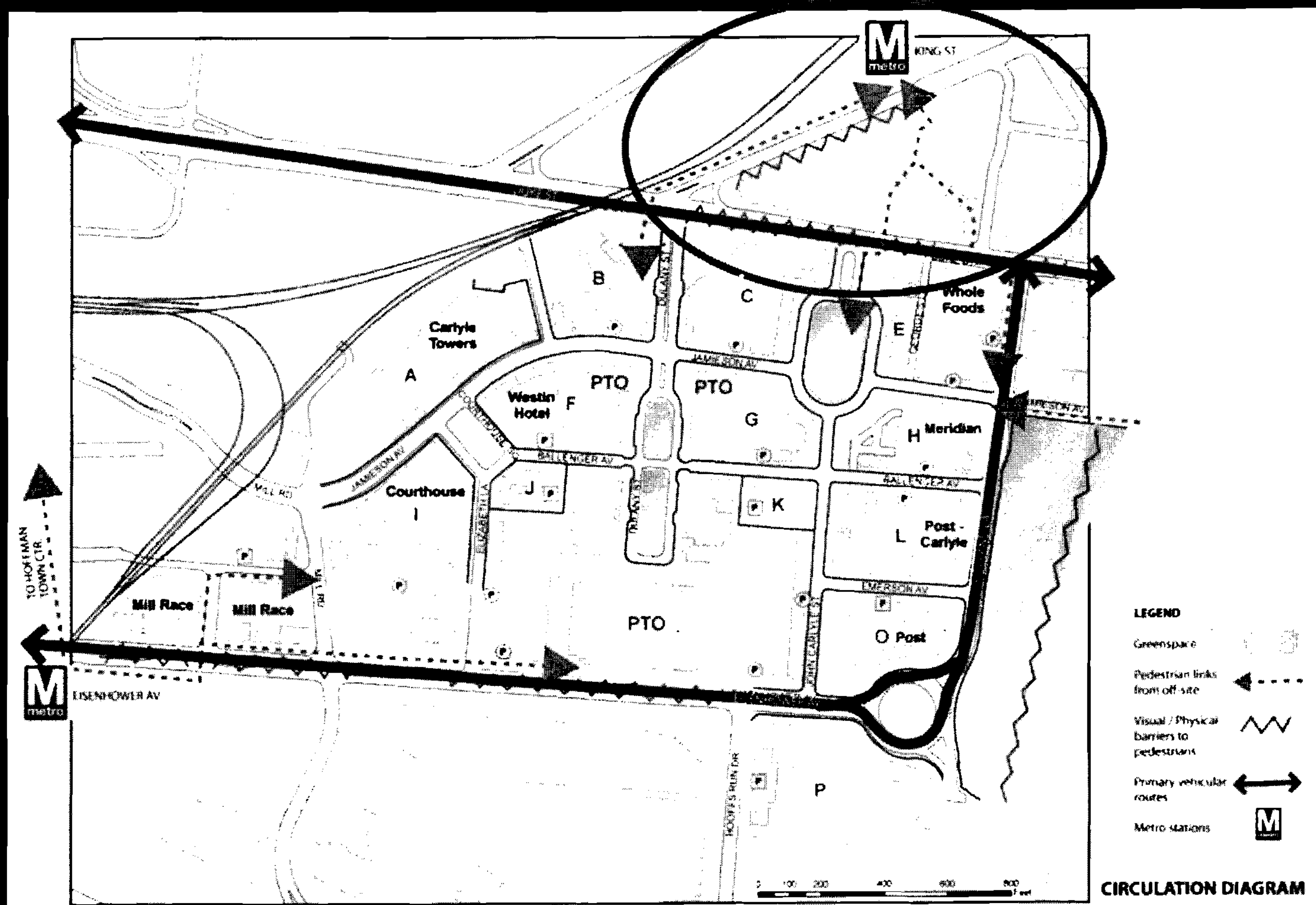
- No events to draw people in – John Carlyle Square and other parks are underutilized



Carlyle Retail Strategies

Issues that came out of the Interviews

- Lack of visibility from metro station and Duke Street



Carlyle Retail Strategies

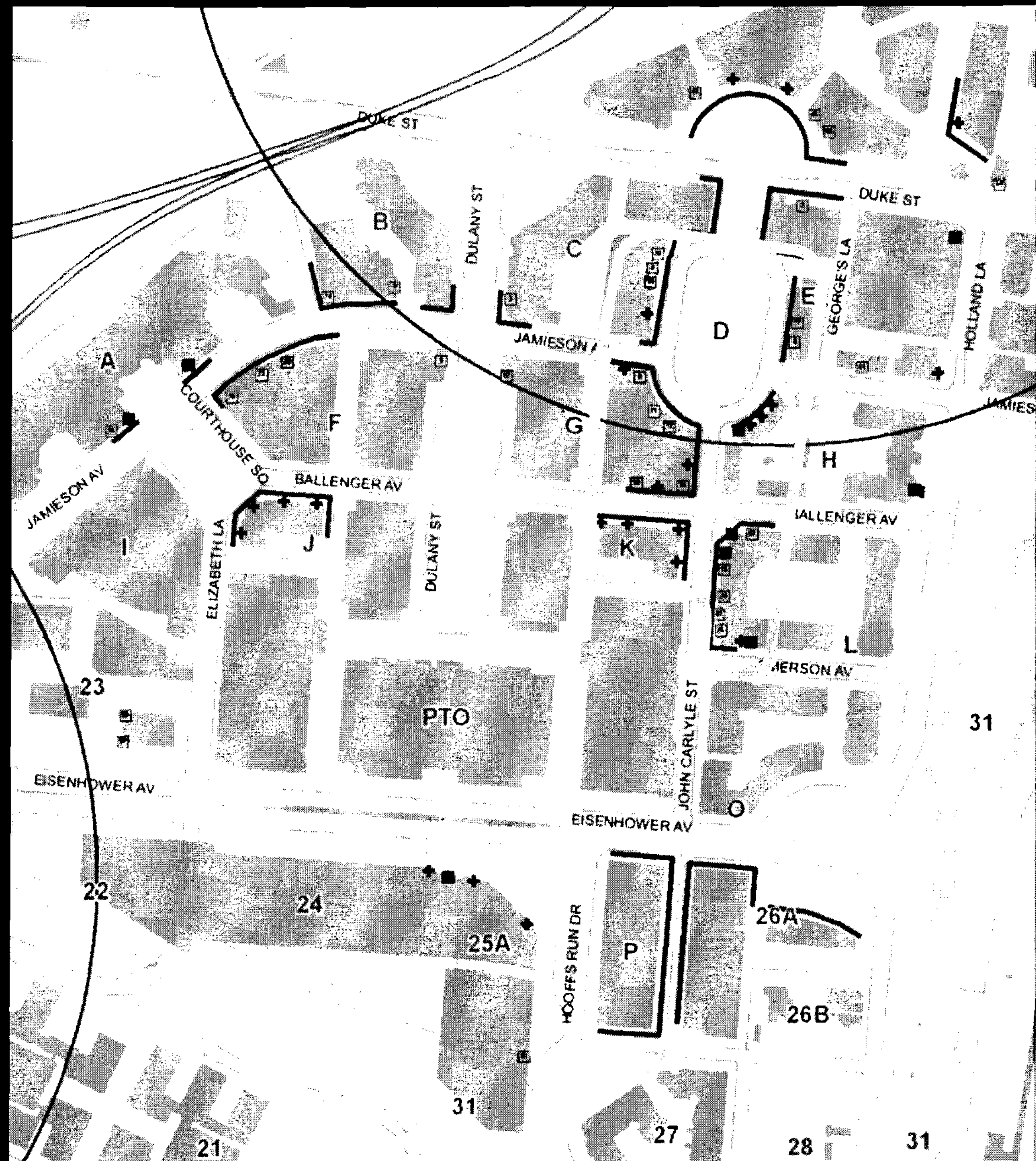
Staff Recommendations for Carlyle Retail

- Regulatory Changes
- Incentives
- Marketing

Carlyle Retail Strategies

Regulatory Changes

- Revise the retail definition in the Carlyle SUP
  - Require retail in a focused area
  - Flexibility - Allow retail, office or other uses outside of the focus area



Carlyle Retail Strategies

Regulatory Changes

- Revise the retail definition in the Carlyle SUP
  - Allow second floor retail uses in all ground floor retail

OR

  - Provide a more general, open-ended definition of retail

Block K – LCOR Office Building

Carlyle Retail Strategies

Incentives

- Stakeholder interest
- Cost versus benefit
- Research needed as to what might be attractive

Block H Townhouses – John Carlyle Square Frontage

Carlyle Retail Strategies

Marketing

- Events in John Carlyle Square
- Signage
- Vending Carts
- Public Art

Next Steps

- Bring forward revisions to the Carlyle SUP
- Research incentives
- Coordination with the CCC
    - Events
    - Parking
    - Signage

WS
12-14-10

H. BLOUNT
HUNTER
RETAIL &
REAL ESTATE
RESEARCH

Prepared for

Carlyle Plaza LLC
and
City of Alexandria

December, 2009

H. Blount Hunter
Retail & Real Estate
Research Co.

and

Chapman
Consulting

Retail Assessment
of Carlyle Plaza One
and
Retail Development Recommendations
for Eisenhower East

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FOREWORD

This report was prepared for Carlyle Plaza LLC and the City of Alexandria to assess retail merchandising strategies for Carlyle Plaza One and the Eisenhower East Small Area Plan.

The purposes of this study were four-fold:

1) to quantify the demand for retail, food service and entertainment uses there both in the short run and upon build-out

2) to evaluate the current amount, composition and configuration of existing retail, food service and entertainment uses within the area

3) to develop retail, food service and entertainment strategies for several designated sites within the area;

4) to evaluate the extent to which the goals and objectives for retail, food service and entertainment uses in the Small Area Plan can be realized.

This report summarizes a detailed evaluation of the retail, food service and entertainment market within the Eisenhower East area of the City of Alexandria, VA. Eisenhower East was the subject of a Small Area Plan first published in 2003 and updated in 2006. The Study Area encompasses approximately 230 acres in the southern end of the city abutting Fairfax County and features a mix of uses including offices, residential units, a movie theater, and retail space. The development is approximately half built-out. At build-out in 2030, the area is expected to include 9.5 million SF of office space, nearly 5,500 residential units, almost 1,000 hotel rooms, and approximately 684,000 SF of retail, food service and entertainment space.

The report presents conclusions and recommendations based upon the internal and external market capacities to support convenience retailing, shoppers goods' retailing, and food/beverage sales within Eisenhower East.

Blount Hunter
H. Blount Hunter Retail & Real Estate Research Company

John Chapman
Chapman Consulting

December, 2009

LIMITATIONS AND CONDITIONS OF USE

H. Blount Hunter Retail & Real Estate Research Co. and Chapman Consulting provide, to the best of their abilities, accurate and complete analysis using techniques consistent with accepted retail site evaluation models. We believe the sources upon which this report is based to be reliable although some data has not been directly verified. H. Blount Hunter Retail & Real Estate Research Co. and Chapman Consulting provide interpretations and opinions based current data and market conditions. Both are are subject to change. The conclusions and recommendations reflect individual and collective experience. The companies will use their best efforts to correct any errors found in this report; however, H. Blount Hunter Retail & Real Estate Research Co. and Chapman Consulting will not be liable, either in contract or tort, for any loss, injury, or damages (including direct, special, incidental, or contractual) incurred as a result of any error or omission in the report or data upon which the report is based, whether caused by H. Blount Hunter Retail & Real Estate Research Co. or Chapman Consulting or otherwise.

Some conclusions in this report are based upon projected population and income levels that may not occur. Estimates have been prepared for "supportable square footage" for Eisenhower East's "town center" serving two shopping functions. The results are "theoretical" since they are based upon general assumptions about merchandise content. Potential development scenarios for "town center" are subject to competitive market realities that cannot be ignored.

While this analysis contains what we believe are realistic perspectives of "supportable" retail footage, we have not performed "feasibility assessments" to refine the "theoretical" perspective of supportable square footage. Assessing "feasibility" is only possible when proposed developments incorporate specific merchandising elements.

The planning horizon for this analysis extends to 2030. This constitutes a long time in the world of retailing and projections based upon today's industry and market dynamics could easily become obsolete. Broad shifts in consumption may occur over time, and consumer spending patterns associated with today's challenging economy may become permanent. Sector-leading retailers in 2009 may disappear by 2030 to be replaced by stores that do not even exist today. A rise in energy costs may re-shape the balance of personal auto use versus transit ridership, thereby changing the trade area boundaries of today's dominant shopping centers. And, assumed changes at Potomac Yard, Landmark Mall, and Springfield Mall may never materialize or have different impacts than expected on Eisenhower East's retail positioning.

This report is to be used as one basis for decision-making and may be used without restriction within the client's business organization. Any reproduction or other use of the materials contained in this report by anyone other than the party for whom the report was prepared without written consent of the client is prohibited as a violation of federal copyright law.

TABLE OF CONTENTS

1. ***Eisenhower East has excess retail capacity today and will continue to have excess capacity relative to internally-generated demand.***

Eisenhower East accommodates a dense mix of uses in a scale that is consistent with historic development patterns in Alexandria. Its grid street system honors pedestrians while its highway access and mass transit accessibility bode well for sustained growth as an employment center and residential neighborhood in a future where private vehicle ownership may be less important than today.

Eisenhower East encompasses more than 230 acres in three distinct subareas. The vast size of the development has been celebrated from an economic development perspective and as an urban planning opportunity. However, this plan does not adequately incorporate the perspectives of a retail "master developer" or merchants. Eisenhower East lacks the cohesiveness of a planned shopping node. Eisenhower East has excess "retail" capacity today in its Carlyle Subarea, and mandates for more retail space promise to perpetuate or exacerbate this condition. Future development will add workers and residents largely in the Hoffman Subarea; this will not solve the problems facing the inherently poor retail spaces in the Carlyle Subarea.

Internally-generated consumer spending is insufficient to sustain Eisenhower East's inventory of "retail" space; this internal demand is also not likely to support a broader range of "comparison retail goods" but will continue to support sales of "convenience retail goods" and food/beverage establishments.

While Eisenhower East is served by Metro, transit here will continue to drive high density office and residential development without serving as a major source of "destination" patrons for shops and restaurants.

2. ***Significant physical impediments prevent the Carlyle Subarea from evolving into the functional equivalent of Market Common at Clarendon or Reston Town Center.***

The Carlyle Subarea has the most "retail" space today, but its 29 percent vacancy appears to be chronic reflecting design flaws. Carlyle's highly decentralized retail base results in weaker performance by existing merchants. The Carlyle Subarea has evolved in a manner that created physical limitations on its ability to become a retail node capable of capturing a significant amount of externally-generated spending potential. The physical deficiencies are so fundamental as to preclude retrofitting the Subarea into the functional equivalent of Reston Town Center or The Market Common at Clarendon.

3. ***With a traditional grocery store as the likely anchor, the Hoffman Subarea can accommodate a limited amount of new food and beverage merchants and convenience-oriented retailers that serve the needs of office workers and residents. New retail development will work best if it connects with the existing node established by the AMC theater and adjacent restaurants. Small tenant space added in conjunction with a new grocery store will function best if it is physically oriented in a manner that the storefronts have maximum accessibility by grocery store patrons.***

The Hoffman Subarea is programmed for extensive development that will bring new workers, residents, and hotel guests. This subarea will experience increased internal demand for additional retail space although the demand will be predominantly for food and beverage. Retail demand will focus on convenience-oriented retailers as demonstrated by comparable consumer demand dynamics in the Carlyle Subarea. The most palpable opportunity within the Hoffman Subarea will be the addition of more restaurants and food and beverage uses.

Under some development circumstances, the Hoffman Subarea would be Eisenhower East's best site opportunity for a "destination retail node" that could simultaneously capitalize upon internally-generated demand and draw upon external demand generated within a community-scaled trade area. There is evidence of adequate market support for the 178,000 SF of retail space allocated to this Subarea; however, widely dispersed retail space without at least one major "comparison goods" retail anchor will not attract "comparison goods" retail tenants that might be attracted to a cohesive, well-integrated "shopping center" at this site.

4. ***The South Carlyle Subarea is the weakest location within Eisenhower East for retail and restaurant uses. Residents and workers in this emerging subarea would be better viewed as sources of support for businesses in the nearby Carlyle Subarea than as a robust source of spending potential for businesses located in South Carlyle. Retail space currently programmed for the South Carlyle Subarea should be allocated to other uses.***

The South Carlyle Subarea of Eisenhower East has the weakest retail site fundamentals of the three subareas in terms of amount of internally-generated spending potential and probability of capturing externally-generated demand.

South Carlyle is a remote corner within Eisenhower East; Eisenhower East as a whole is likely to remain an insular pocket within Alexandria despite the connectivity of its internal street system with the city's road network. Although this subarea is only 2-3 blocks from Duke Street, it lacks exposure to this important, heavily-traveled artery. Eisenhower Avenue is a street from nowhere to nowhere. Retailers and restaurateurs are likely to consider this site to be "hidden" and difficult to establish as a viable destination. There are few reasons that retailers would voluntarily select a cul-de-sac location in an environment with multiple stronger options.
New residents and workers who will be added to the South Carlyle Subarea will be more valuable as sources of spending

potential to businesses occupying already-built spaces than as generators of support for the development of new "retail" space. Due to proximity and access, demand generated within the South Carlyle Subarea stands to directly benefit the existing "retail" mix on John Carlyle Street to the north of Eisenhower Avenue. Increasing the number of office workers and/or residents within a short walk of the John Carlyle "node" and minimizing the development new "retail" space will enhance the performance of merchants located there.

5. ***From the perspective of a market-driven analysis, Carlyle Plaza One can accommodate a small food service operation for the convenience of tenants; no retail uses should be targeted. Non-traditional active uses are likely to be more sustainable and generate a higher rent stream.***

Regulations requiring retail space on the ground level of Carlyle Plaza One are forcing the creation of retail space that market forces would not produce based upon predictable demand.

Carlyle South has little potential as a site for "convenience retail goods" due to inadequate demand generated by nearby residents and workers. The location has even less potential for "comparison retail goods" as a critical mass with destination drawing power would be impossible to establish.

It may be possible to locate a small food service use in the lobby of Carlyle Plaza One (initially to facilitate leasing and ultimately as a tenant amenity); however, we recommend that pursuing a broader range of "commercial" uses for this ground floor space. Most retail or restaurant uses that can be proposed for this location would have a greater chance of succeeding as part of the "town center" element of Eisenhower East. If all ground floor space remains designated for retail use, we believe the list of probable prospects will encompass non-traditional active uses rather than 25,000 square feet "retailers" and restaurants.

6. ***Increasing the allowable development density can generate increases in consumer spending potential that can support existing retail space or provide support for yet-to-be-built retail space that has already been programmed.***

Increasing density is one way of increasing internally-generated spending potential. It is unlikely that the density can be increased enough to solve the problem of over-programmed retail space in Eisenhower East; however, any increase in density could enhance the performance of businesses operating in existing retail space. Each additional 10,000 SF of office space generates sufficient demand to support 116 SF of food/beverage use at $400 PSF and 20 SF of retail use at $350 PSF. Each additional 100 residential units generates enough demand to support 163 SF of food/beverage use and 1,249 SF retail use. Each additional 100 hotel rooms generates sufficient demand to support 578 SF of food/beverage use and 347 SF of retail use.

OVERVIEW OF ANALYTICAL PROCESS

This study evaluated the current and prospective content of Eisenhower East using industry-accepted demand analysis modeling and prevailing retail site selection techniques.

- The retail elements of transit-oriented developments (TODs) throughout Northern Virginia and Suburban Maryland were evaluated for development analogs.

- A probable residential trade area was established for Eisenhower East, taking into consideration the placement of key shopping centers and likely retail competition from the redevelopment of Landmark Mall and Springfield Mall and the expansion of Potomac Yard.

- Existing and future retail inventory was compared to current and projected levels internal demand to evaluate the appropriateness of Eisenhower East's retail mandate.

- Development scenarios for Hoffman "town center" were analyzed with a focus upon the level of external support required to achieve reasonable levels of sales productivity.

- South Carlyle was evaluated as a suitable setting for retail development versus its potential as a source of demand to support "retail activity" in the John Carlyle Street neighborhood retail district.

- Proposed ground floor retail space in Carlyle Plaza One has been evaluated for retail and restaurant use.

- A series of recommendations was prepared for consideration in future retail planning at Eisenhower East.

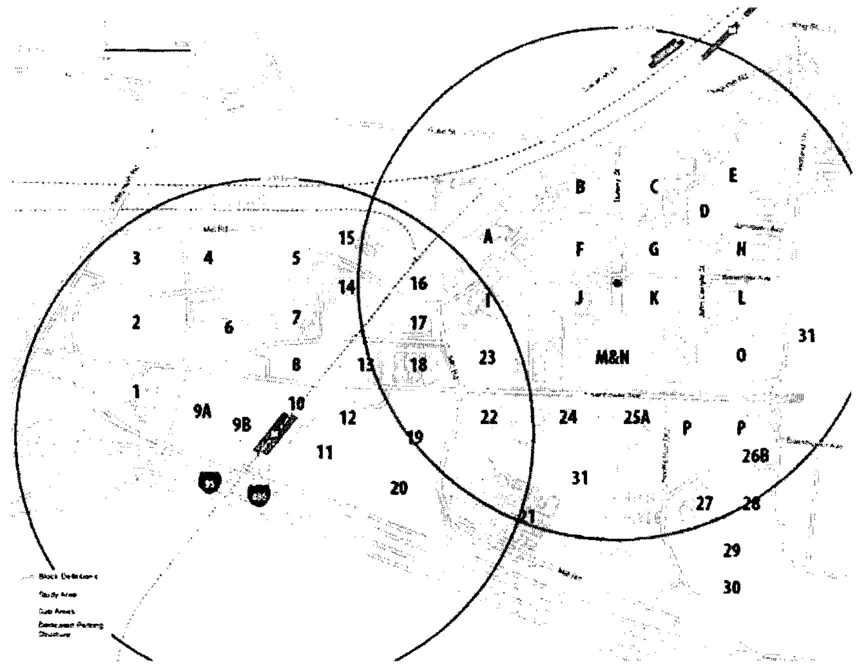
EISENHOWER EAST OVERVIEW

Eisenhower East includes approximately 230 acres bounded on the north by Duke Street, on the east by Holland Lane and the African-American Heritage Park, on the south by Cameron Run as it parallels the Capital Beltway (I-95/I-495), and on the west by Telegraph Road. The planning area includes the 76.5 acre planned Carlyle development and the Eisenhower Avenue Metro station. See the aerial photo on page 10.

With a strategic location and Metro accessibility, Eisenhower East represented a significant economic development opportunity for accommodating large-scale development with minimal negative impact on established areas of Alexandria.

The fundamental organizing element of the physical plan for Eisenhower East is a grid street system. This resembles the historic grid pattern of Old Town Alexandria albeit with larger blocks. The Eisenhower Avenue Metro station created a transportation focal point for Eisenhower East just as waterborne commercial activity impacted land use patterns and development density along the Potomac River in Old Town.

The Eisenhower East Plan leveraged public investment in transit to create development intensity encompassing a variety of uses in the form of a "village within a village." Eisenhower East consists of three distinct subareas. While all of the Hoffman Subarea is located within a 1,500 foot walk of the Eisenhower Avenue Metro stop, most of the Carlyle and South Carlyle Subareas of Eisenhower East are located beyond a 1,500 foot walk of the Metro station. Urban planners and retail planners generally agree that one-quarter mile, or 1,500 feet, represents an "acceptable" walking distance to transit or to shopping.[1] Eisenhower East measures approximately 4,000 feet from Stovall Street to Holland Lane—a distance that is more aligned with automobile travel than pedestrian activity.



Zoning regulations require ground floor retail uses in most buildings throughout Eisenhower East. Based upon a 2002

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[1] Pedestrian- and Transit-Friendly Design: A Primer for Smart Growth, EPA Smart Growth Network

retail market assessment, the master plan included a "regional serving retail/entertainment complex" as an integral part of the Hoffman Town Center, based upon the success of the AMC theater and the potential impact of transit customers using the Eisenhower Avenue Metro station. A "neighborhood serving area to provide for the needs of the workforce and residents of Eisenhower East" was also incorporated in the Small Area Plan for Eisenhower East. The neighborhood retail district, envisioned for the blocks of John Carlyle Street between Ballinger Avenue and Eisenhower Avenue, was intended to meet the retail and service needs of residents of Eisenhower East and adjacent neighborhoods.

The Small Area Plan allocated approximately 684,000 square feet to "retail" space. Retail development of this magnitude was considered to be "reasonable" when compared with emerging retail/entertainment destinations such as the Spectrum in Irvine, CA, new facilities in central Bethesda, MD, and Old Town Pasadena, CA.[2]

The Small Area Plan addressed the importance of proper format and integration of retailing for best performance. "The retail and entertainment uses must be carefully planned to create a modern, cohesive urban retail environment, rather than just accommodating retail in the ground floor of buildings along street frontages."[3] Refer to the map on page 11.

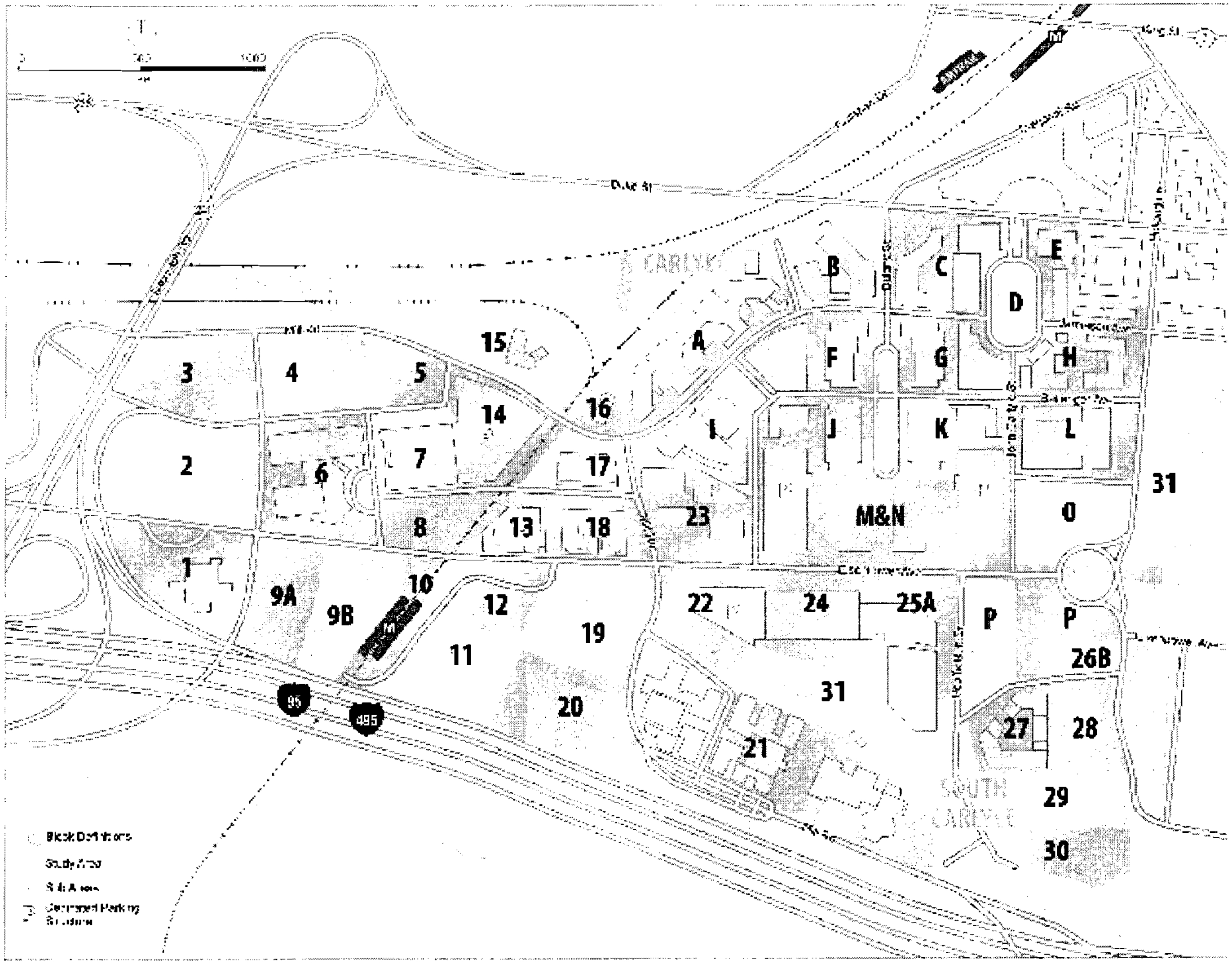
[2] Eisenhower East Small Area Plan, City of Alexandria Department of Planning & Zoning, April, 2003

[3] Eisenhower East Small Area Plan, City of Alexandria Department of Planning & Zoning, June, 2006

The Study Area is bounded by Duke Street and Metrorail lines on the north, Telegraph Road on the west, the Capital Beltway on the south, and both the African American Heritage Park and Alexandria Sanitation Authority Waste Water Treatment Plant on the east. Major landmarks and land uses include:

- African American Heritage Park, eight acres of memorial parkland surrounding a one-acre 19th century African American cemetery;
- Whole Foods supermarket in the northeast corner of the study area on the ground level of an apartment building;
- The headquarters of the U.S. Patent and Trademark Office (PTO) in six buildings flanking Dulany Street;
- Three 20-story buildings comprising Carlyle Towers, a luxury condominium complex and the first major residential use to be completed in the Study Area;
- Alfred V. Bryan Federal Courthouse, home to the U.S. District Court for the Eastern District of Virginia;
- Hoffman Town Center consisting of ten food services and AMC Hoffman 22-screen multiplex theater;
- Hoffman Buildings I and II, which house Defense Department agencies and total nearly one million SF;
- Eisenhower Avenue Metrorail Station, the second-to-last station on the Yellow Line, which links Alexandria with downtown Washington;
- The Alexandria Public Safety Complex, which houses the headquarters of the city Police Department and its Detention Center.

Aerial View of Study Area
Photography Date: 5/29/2008



Alexandria Department of Planning and Zoning Block Designations

EISENHOWER EAST'S THREE SUBAREAS

To better evaluate the demand for and supply of retail, food service and entertainment uses, the Study Area was further subdivided into three subareas as shown on the facing map.

Carlyle Subarea. This is the most developed of the three subareas. In addition to the PTO and Federal Courthouse, it includes a handsome mix of office buildings, residential projects and two hotels. Great attention to detail has produced a streetscape grid that is attractive, urbane and pedestrian-friendly. With approximately 4 million SF of office space, just over 1,500 housing units and 500 hotel rooms at present, very little remains to be developed: redevelopment of two comparatively small office buildings could add 218,000 SF in that category and completion of an approved new apartment project will add just over 330 housing units.

South Carlyle Subarea. Still in transition, this subarea includes two well-established uses at its southern end: the Alexandria Public Safety Complex and Carlyle Mill Apartments. The area between them and Eisenhower Avenue is subject to development and redevelopment in keeping with the quality of the Carlyle Subarea to the north. The Alexan Carlyle Apartments is nearing completion and tracts in the immediate vicinity have been designated for detailed strategy development in this study, including the Carlyle Plaza One office building. Future development will add roughly 1.2 million SF of office space and just over 650 new housing units.

Hoffman Subarea. Still comprised largely of vacant land, the Hoffman Subarea has several prominent components:

- The Hoffman Buildings and AMC multiplex anchor an enclave of office, entertainment, and food uses.
- Two high-rise apartment complexes sit side-by-side on the north side of Eisenhower Avenue and stand as harbingers of future high-density development.
- The Eisenhower Metrorail Station, currently surrounded by surface parking lots, will be a focal point of future development
- Holiday Inn is in the southwest corner of the Subarea.

With nearly 1 million SF of office space, roughly 700 housing units and 196 hotel rooms at present, this subarea is the locale for several active development proposals at present and others in the long-range pipeline that will add roughly 3 million SF of office space and nearly 1,700 housing units. At build-out, it will rival the Carlyle Subarea in total office space and exceed it in total housing units.

THE CURRENT STATE OF RETAIL IN EISENHOWER EAST

Table 1 presents a summary of retail occupancy conditions in Eisenhower East as of August, 2009. Fully 29 percent of retail-designated space is vacant; in the Carlyle subarea, the vacancy rate is approaching 38 percent. Much of the 129,000 square feet of unoccupied retail space is chronic vacancy that has existed for more than a year. Refer to the map on page 14.

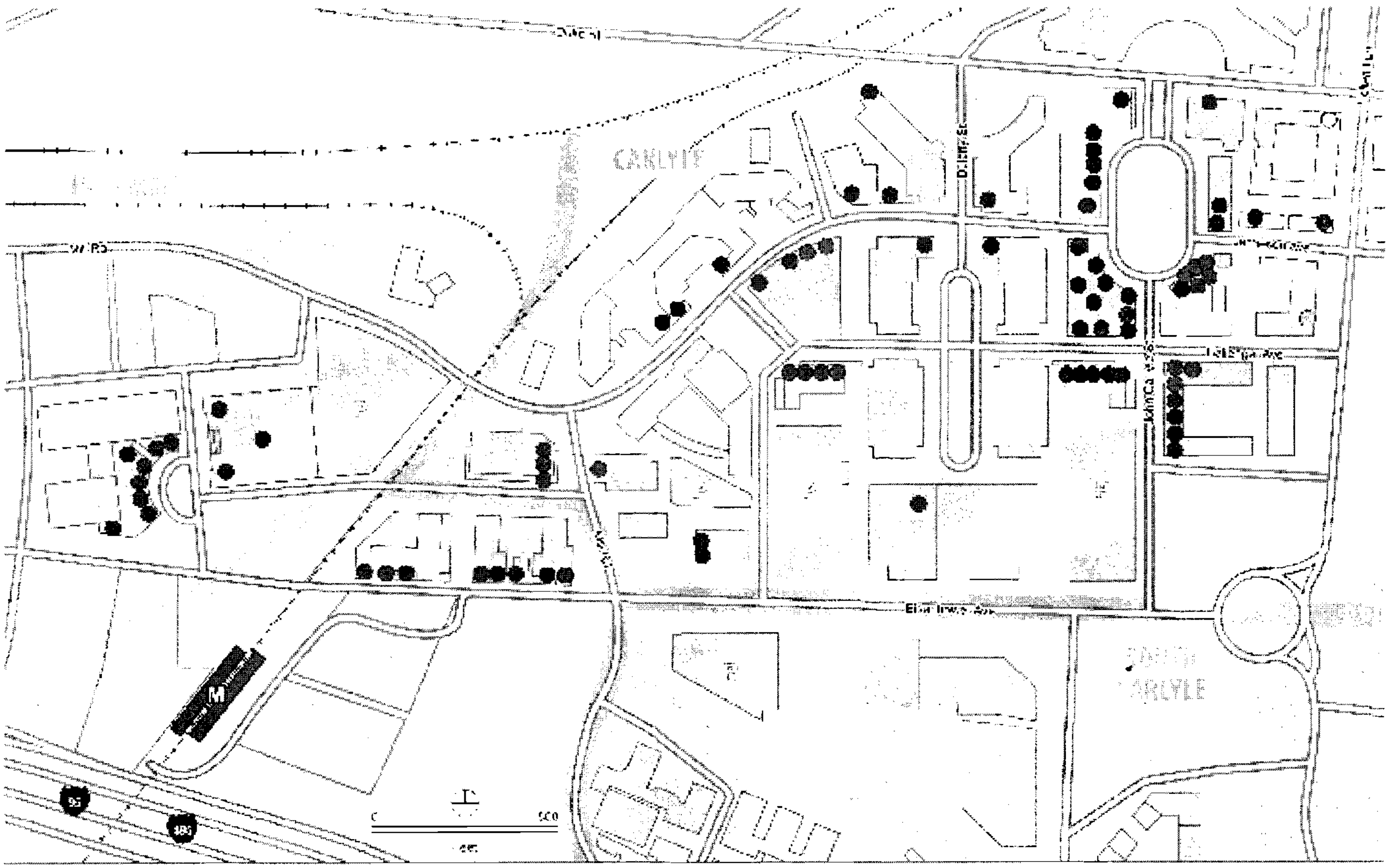
The largest use categories are a grocery store, movie theater, and food/beverage uses. Actual "retailing" accounts for only 1,000 square feet out of 445,908 square feet built for retail use.

(Table 1.)

STATUS OF DESIGNATED RETAIL SPACE AT EISENHOWER EAST

	CARLYLE SUBAREA		SO. CARLYLE SUBAREA		HOFFMAN SUBAREA		PROJECT TOTAL		PCT. TOTAL SF	PCT. OCCUPIED SF
	#	SF	#	SF	#	SF	#	SF		
Food Service	19	56,887	0	0	12	29,893	31	86,780	19.3	27.5 %
Grocery	1	40,606	0	0	0	0	1	40,606	9.1 %	12.8 %
Convenience Retail	1	1,000	0	0	0	0	1	1,000	0.2 %	0.3 %
Financial Services	7	22,884	0	0	0	0	7	22,884	5.1 %	7.2 %
Personal Services	5	6,841	0	0	3	3,267	8	10,108	2.3 %	3.1 %
Movie Theater	1	0	0	0	1	125,000	2	125,000	28.0 %	39.5 %
Other Misc.	2	30,398	0	0	0	0	2	30,398	6.8 %	9.6 %
Vacant	29	96,962	1	15,755	0	16,415	30	129,132	29.0 %	---
	65	255,578	1	15,755	19	174,575	85	445,908	100.0 %	100.0 %

SOURCE: Chapman Consulting



Occupied Retail Space in Carlyle & Hoffman Sub Areas

- Food Service
- Grocery/Convenience Retail
- Financial Services
- Personal/Business Services
- Other Retail/Commercial Use
- Vacant
- Blocks Allocated Additional Retail Space
- Dedicated Parking Structure
- Study Area
- Sub Areas

The Eisenhower East Small Area Plan envisions 684,000 square feet of retail space at street-level and within "town center."[4] Eisenhower East currently has more space allocated for retail use and configured as small shops than many major regional shopping malls and the retail components of several local TODs. The retail space at Eisenhower East is widely dispersed so it is not readily perceived as a large aggregation of space. Decentralization prevents the space from functioning as a "critical mass."

(Table 2.)

SPECIALTY TENANT SQUARE FOOTAGE	
Eisenhower East	445,900 SF
The Fashion Centre at Pentagon City	347,900 SF
Landmark Mall	301,000 SF
White Flint Mall	300,000 SF
Montgomery Mall	467,900 SF
Bethesda Row	320,000 SF
Pentagon Row	296,000 SF
Market Common at Clarendon	240,000 SF
Rockville Town Square	180,000 SF

For comparative purposes, the merchandise mix of regional shopping centers is heavily oriented to "comparison" goods—especially apparel. A "critical mass" of apparel is fundamental to establishing regional drawing power for a shopping destination. Eisenhower East has virtually no "retailing" of any type among its uses.

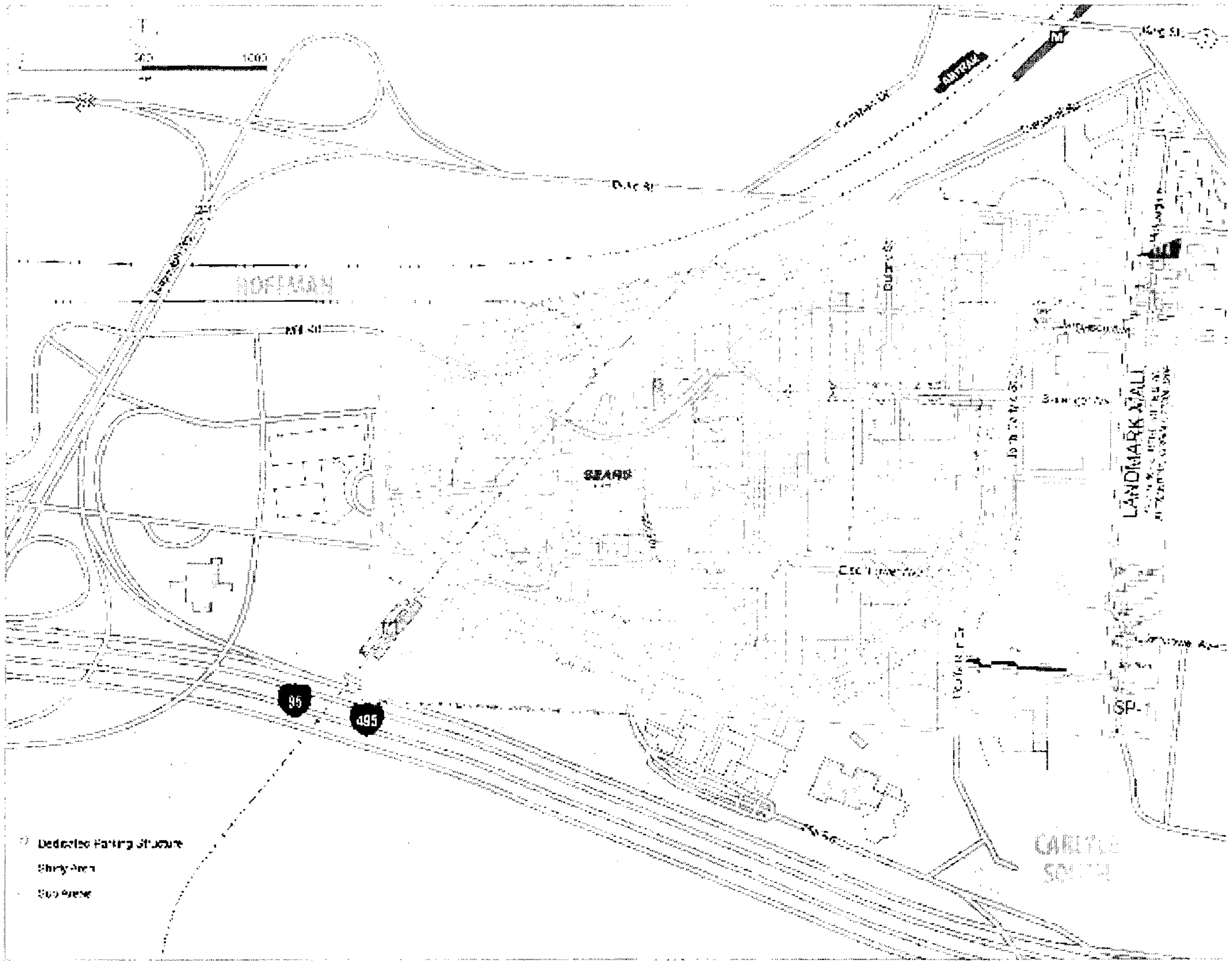
(Table 3.)

TYPICAL ALLOCATION OF SPECIALTY TENANT SPACE IN REGIONAL SHOPPING CENTERS	
Women's Apparel	15 percent
Men's Apparel	5 percent
Specialty/Family Apparel	10 percent
Shoes	10 percent
Apparel/Shoes subtotal	40 percent
Fast Food/Restaurants	10 percent
Jewelry	10 percent
Electronics/Books/Music	5 percent
Cards/Gifts/Home Décor	20 percent
Miscellaneous Retail Services	5 percent
Entertainment Movie Theater	10 percent
Total	100 percent

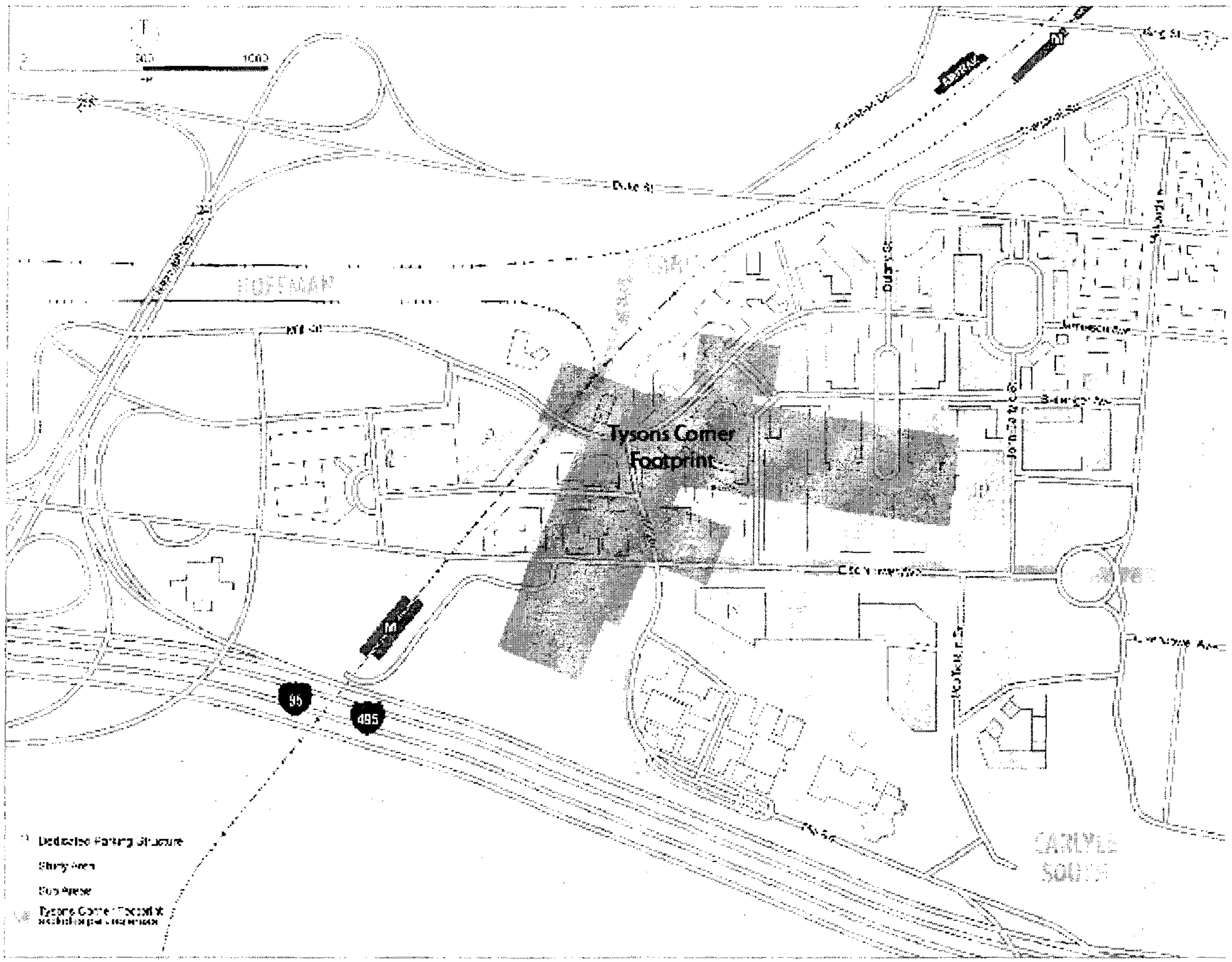
Source: H. Blount Hunter Retail & Real Estate Research Co.

The vast size of Eisenhower East requires retail to be "clustered" in efficient nodes, with excellent access and/or visibility as well as appropriate parking. Retail must be located within a short walk of the core of the office market and within an easy walk of the Metro station. The vast size of Eisenhower East is illustrated in the maps on pages 16 and 17 showing overlays of Landmark Mall and Tysons Corner Center.

[4] Eisenhower East Small Area Plan, p. 4-14, August, 2006, Alexandria Department of Planning and Zoning



Revised Base Block Map / August 13, 2009



Study Area with Tysons Corner Footprint Superimposed

In measuring the levels of market demand for retail, food service and entertainment uses within the Study Area, on-site (internal) sources are the most immediate and palpable: the work force that populates its office buildings on a daily basis; the residents in its housing units on a year-round basis; business travelers, tourists and other guests at its hotel facilities. Market demand among these groups is quantified in the pages that follow. Other potential sources of demand from beyond the Study Area are addressed later in the report. Demand parameters are quantified for three points in time:

- 2009 – reflecting existing conditions
- 2015 – a five-year projection horizon that takes into account new projects currently in the pipeline and expected to be completed by then
- 2030 - a long-range projection horizon reflecting full build-out of authorized uses.

Study Area Residents

At the time of the 2000 Census, the first two Carlyle Towers had been completed and, with a total of 359 units, were the only housing units in the Study Area. Since then, 10 additional projects have been completed and the housing inventory now numbers nearly 2,800 units. Just over 1,500 of them are located in the Carlyle Subarea and the balance is divided between the other two subareas. Though not quite complete, the Alexan Carlyle Apartments in the South Carlyle Subarea is included in the existing inventory.

Four additional projects are in the pipeline and expected to be complete by 2015: the Post Properties apartment complex on Block O, the Lane Development parcel on Block 19, and Blocks 11 and 12 next to the Metrorail Station. They will bring another 1,700 units to the Study Area. Five other projects will be developed over the long term and add just over 900 units to the inventory at build-out.

Table 4 summarizes the number of housing units by subarea today and over Eisenhower East's probable build-out period. As shown, the housing inventory will total nearly 5,500 units at build-out. The Hoffman Subarea will have the largest single number, followed by Carlyle and South Carlyle.

(Table 4.)

EXISTING AND PLANNED RESIDENTIAL UNITS BY SUBAREA

	Number of Units			
	2009	**Net Added by 2015**	**Net Added By 2030**	**Total at Build-out**
Carlyle Subarea	1,505	331	0	1,836
South Carlyle Subarea	595	0	659	1,254
Hoffman Subarea	695	1,392	269	2,356
Study Area Total	2,795	1,723	928	5,446

Source: City of Alexandria

The map on the following page shows the locations of all existing and planned new residential projects.

As with most demographic data vendors, the vendor report for the Study Area is based primarily on the 2000 Census and does not reflect the addition of more than 2,400 new housing units since then. Moreover, the demographic profile reflects the older ages and higher incomes of the luxury condominium buyers in place at that time. To develop a more realistic portrait, the actual number of new residential units completed since the Census were factored in and the demographic profile is based on the Rosslyn-Ballston corridor in Arlington. That profile revealed the following key characteristics:

- An occupancy rate of 95 percent;
- An average household size of 1.95 persons;
- A median age of 38.1 years; and
- An average household income of $127,805

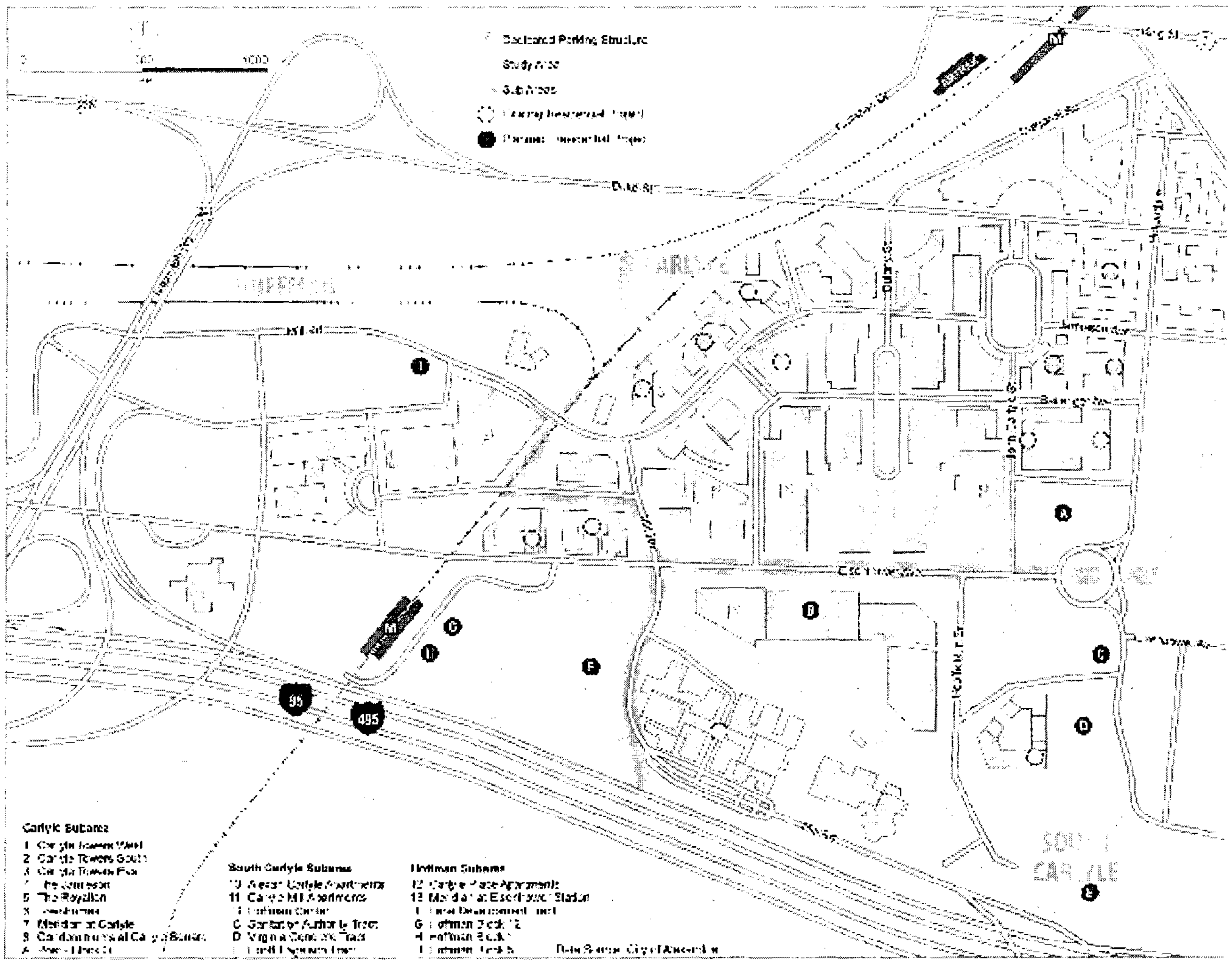
These factors were applied to the actual housing inventory in the Study Area at present -- and as projected for the future – and expenditure potentials for a variety of spending categories were developed. As reflected in the U.S. Census of Retail Trade and the U.S. Census of Services conducted in 2002, the categories are as follows:

Food Away from Home: This category includes fast food, limited service and full service restaurants as well as establishments selling alcoholic beverages. Based on the Census of Retail Trade, households spend an average of 4.7 percent of their annual incomes on food away from home.

Convenience Retail Goods: This category includes groceries; packaged alcoholic beverages; soaps, detergents and household cleaners; paper and related products; pet foods and pet supplies. In the Census of Retail Trade, households spent an average of 9.7 percent of their incomes on these items. Groceries and "food at home" account for 5.0 percent of personal income; spending on other convenience goods accounts for 4.7 percent of personal income.

Personal Services: This category covers hair, nail and skin care services; dry cleaning and laundry services; footwear and leather goods repair. They account for 0.7 percent of household income.

Shoppers' Retail Goods: This category includes a wide variety of merchandise that typically involves comparison shopping including apparel and accessories; cosmetics; jewelry; furniture; flooring and floor coverings; curtains, draperies and other window coverings; kitchenware and home furnishings; large and small appliances; televisions, musical instruments, audio and video equipment; computer hardware and software; books; toys, hobby goods and games; photographic equipment and supplies; sewing, knitting and needlework goods; and optical goods. Sales of these items account for 12.0 percent of household income.



Eisenhower East / Carlyle Subareas
Existing and Planned Residential Projects

(Table 5.)

SUBAREA POPULATION, HOUSEHOLDS, SPENDING POTENTIAL			
(Expenditure Potentials in Millions of Constant 2009 Dollar Values)			
Name	**2009**	**2015**	**2030**
Carlyle Subarea			
Population	2,788	3,401	3,401
Households	1,430	1,744	1,744
Potential for Food Away from Home	$8.6	$10.5	$10.5
Potential for Convenience Retail	$17.7	$21.6	$21.6
Potential for Personal Services	$1.5	$1.8	$1.8
Potential for Shoppers Goods	$21.9	$26.8	$26.8
South Carlyle Subarea			
Population	580	1,102	2,650
Households	298	565	1,359
Potential for Food Away from Home	$1.8	$3.4	$8.2
Potential for Convenience Retail	$3.7	$7.0	$16.8
Potential for Personal Services	$0.3	$0.6	$1.4
Potential for Shoppers Goods	$4.6	$8.7	$20.8
Hoffman Subarea			
Population	1,287	3,866	4,365
Households	660	1,983	2,238
Potential for Food Away from Home	$4.0	$11.9	$13.4
Potential for Convenience Retail	$8.2	$24.6	$27.7
Potential for Personal Services	$0.7	$2.0	$2.3
Potential for Shoppers Goods	$10.1	$30.4	$34.3
Study Area Total			
Population	4,656	8,370	10,415
Households	2,388	4,292	5,341
Potential for Food Away from Home	$14.3	$25.8	$32.1
Potential for Convenience Retail	$29.6	$53.2	$66.2
Potential for Personal Services	$2.4	$4.4	$5.5
Potential for Shoppers Goods	$36.6	$65.8	$81.9

Sources: H. Blount Hunter Retail & Real Estate Research Co. and Chapman Consulting

Today, the Study Area has about 2,400 households living there and a population just over 4,600. By 2015, about 1,900 new households will be added and the population will increase by nearly 2,600. With additional future gains, the population will exceed 10,000 at build-out with just over 5,300 households.

Total spending on food away from home currently amounts to $14.3 million. At build-out, the resident potential will more than double to $32.1 million as expressed in constant 2009 dollar values.

Total retail spending, including both convenience and shoppers' goods, currently amounts to $66.2 million. At build-out, it will also more than double to $148.1 million.

At present, the Carlyle Subarea outranks the other two by a wide margin in all these categories but these relationships will change over time. At build-out, the Hoffman Subarea will exceed the Carlyle Subarea in population, households and spending; the South Carlyle Subarea will be within 75 percent of the Carlyle figures.

The Office Work Force

As previously noted, the Carlyle Subarea currently has about 4 million SF of office space and the Hoffman Subarea has nearly 1 million SF; the South Carlyle Subarea has none. By 2015, three additional new projects are expected to be completed. They will add nearly 1.4 million SF of office space: Carlyle Plaza One /in South Carlyle, the Lane Development parcel, and Block 8, which is located in the Hoffman Subarea.

Over the longer-range horizon, redevelopment of two comparatively small buildings in the Carlyle Subarea and new office projects on seven tracts will bring a total of 3.1 million SF in additional office space to the Study Area.

Currently, the Carlyle Subarea accounts for 80 percent of the 5 million SF of office space in the Study Area. At full build-out, the Carlyle will have added very little new space while the Hoffman Subarea will have added over 3 million SF of offices and will rival the Carlyle Subarea in office inventory. The South Carlyle Subarea's office inventory will be about 30 percent of the size of the office inventories in the other two Subareas.

Table 6 presents existing and planned office space by subarea.

(Table 6.)

EXISTING AND PLANNED OFFICE SPACE BY SUBAREA

	Rentable Building Area (SF)			
		Net Added	Net Added	
	2009	by 2015	By 2030	Total
Carlyle Subarea	4,039,000	0	215,000	4,254,000
South Carlyle Subarea	0	342,000	872,000	1,214,000
Hoffman Subarea	976,000	1,036,000	2,006,000	4,018,000
Study Area Total	5,015,000	1,378,000	3,093,000	9,486,000

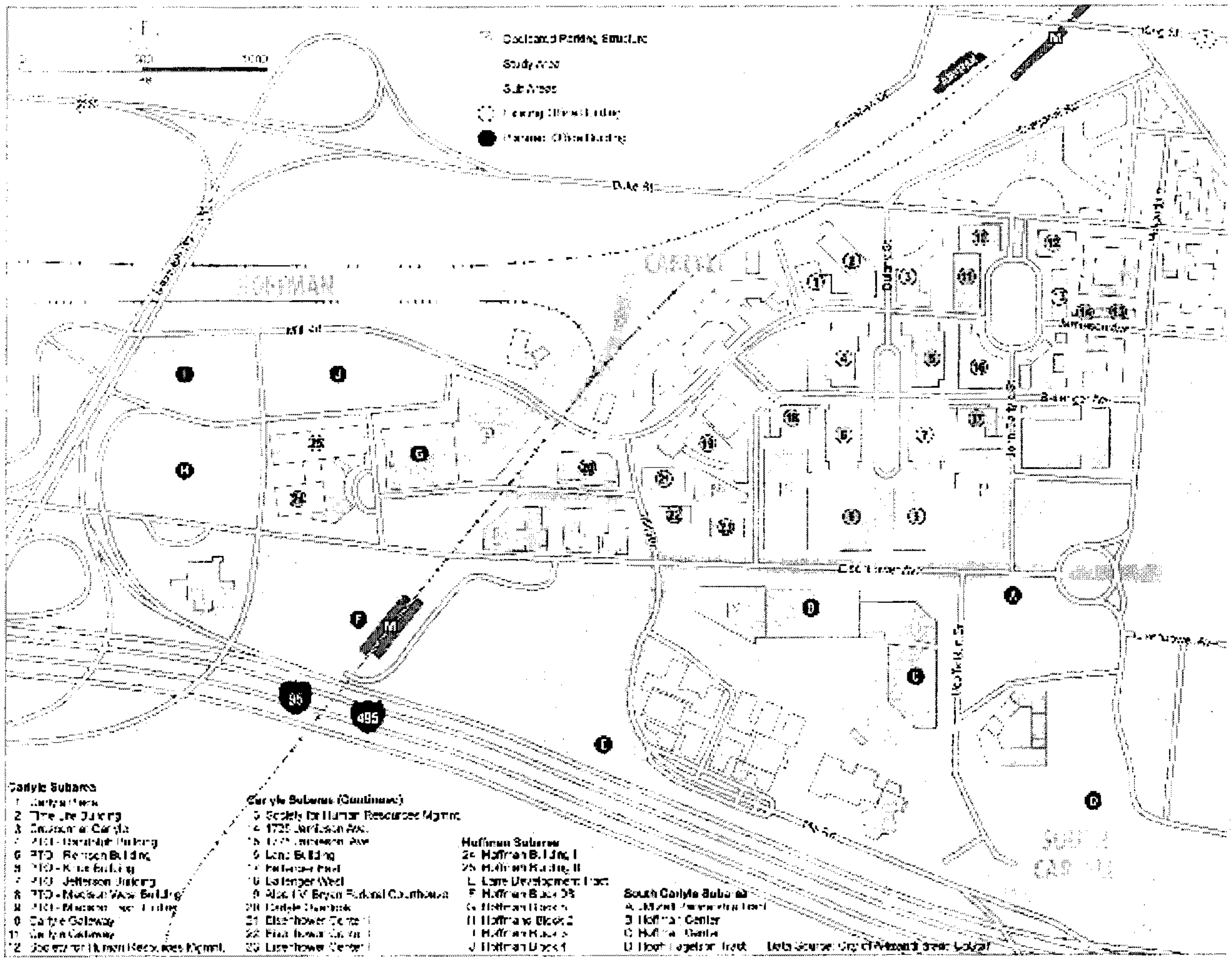
Source: City of Alexandria and CoStar

The map on the following page shows the locations of all existing and planned new office facilities; the map key facing the table identifies them by name. A table in the Appendix shows the office square footage associated with each existing building and planned project.

According to the industry standards, there is one office worker per 225 SF of occupied space, and average annual spending by office workers on food and beverage and retail items during and after the workday is $1,450 on food and drink, $300 annually on convenience retail goods, and $600 per year on "shoppers' goods" when readily available.

The Study Area has an estimated current office worker count of 20,000. Mirroring the distribution of the office inventory, the Carlyle Subarea currently accounts for 80 percent of that total: 16,200. Another 3,900 employees report to work on a daily basis at the Hoffman Buildings in the Hoffman Subarea. The office work force in the Study Area as a whole will increase to 25,600 by 2015 and grow further to 38,000 at build-out.

Over the projection horizon, the Hoffman Subarea will account for two-thirds of the increase and its daytime work force will more than quadruple. The Carlyle Subarea office work force, on the other hand, will increase by fewer than 1,000. With no office workers at present, the South Carlyle Subarea will see its daytime population increase to a modest 4,900. The associated spending potentials are shown in Table 7.



Eisenhower East / Carlyle Subareas
Existing and Planned Office Space

As illustrated in Table 7, Carlyle Subarea's office workers' annual expenditure potential for food and drink among office is currently $23.5 million and will not grow minimally in constant 2009 dollar values. The spending potential for convenience retail goods currently amounts to $4.9 million and the potential for shoppers' goods is $9.7 million.

(Table 7.)

OFFICE WORKER SPENDING POTENTIALS BY SUBAREA

(Expenditure Potentials in Millions of Constant 2009 Dollar Values)

	2009	2015	2030
Carlyle Subarea			
Office Work Force	16,200	16,200	17,000
Potential for Food and drink	$23.5	$23.5	$24.7
Potential for Convenience Retail	$4.9	$4.9	$5.1
Potential for Shoppers Goods	$9.7	$9.7	$10.2
South Carlyle Subarea			
Office Work Force	0	1,400	4,900
Potential for Food and drink	$0.0	$2.0	$7.1
Potential for Convenience Retail	$0.0	$0.4	$1.5
Potential for Shoppers Goods	$0.0	$0.8	$2.9
Hoffman Subarea			
Office Work Force	3,900	8,000	16,100
Potential for Food and drink	$5.7	$11.6	$23.3
Potential for Convenience Retail	$1.2	$2.4	$4.8
Potential for Shoppers Goods	$2.3	$4.8	$9.7
Study Area Total			
Office Work Force	20,100	25,600	38,000
Potential for Food and drink	$29.2	$37.1	$55.1
Potential for Convenience Retail	$6.1	$7.7	$11.4
Potential for Shoppers Goods	$12.0	$15.3	$22.8

Source: H. Blount Hunter Retail & Real Estate Research Co. and Chapman Consulting

The most significant increases in spending potential will occur in the Hoffman Subarea. With just the Hoffman Buildings there at present, the spending potential for food and drink is about one-quarter the level of the Carlyle Subarea ($5.7 million) but it will quadruple to $23.3 million by build-out and nearly match the spending potential within the Carlyle Subarea. The same is true for retail spending potentials.

In considering the practical implications of these figures, There are several important points to be noted from the ICSC survey:

- The vast majority of office workers in settings like the Study Area walks to their lunch destination and venture no farther than three blocks.

- Among the office workforce, sustenance is a necessity during the work day and not a discretionary matter. Therefore, the demand for food service establishments within a convenient walking distance is predictable and can be projected.

- Retail spending is an entirely different matter. Among office workers surveyed by ICSC, the most common purchases were personal care products and drugstore items; apparel for themselves; greeting cards and gifts; snacks, candy and soft drinks. Purchasing these items during the work day is largely discretionary and occurs only if stores selling them are conveniently available.

The relevance of these considerations will become more apparent later in this report.

HOTEL GUESTS

The final on-site demand category to be quantified is guests staying at Study Area's hotels. The Marriott Residence Inn and Westin Alexandria are in the Carlyle Subarea and the Holiday Inn is in the Hoffman Subarea. Combined, they have nearly 700 rooms. A fourth hotel has been authorized for Block 9 in the Hoffman Subarea next to the Metrorail Station but it is not likely until sometime after 2015.

In developing spending potentials associated with these hotel facilities, the following assumptions have been made:

- Annual occupancy averages 70 percent.
- There is an average of 1.5 persons per room.
- The average length of stay is 1.5 nights.
- Spending potentials for food and drink average $40 per person per day; the potential for convenience retail goods averages $10 per person per day; the potential for shoppers' goods is $20 per day.

Based on these assumptions, the spending potential generated by Eisenhower East hotel guests is presented in Table 8. As shown, current hotel guest spending potentials total $10.7 million for food and drink and $6.0 million for retail goods in the Study Area as a whole. The Carlyle Subarea accounts for about 70 percent of the total. Completion of another hotel in the Hoffman Subarea down the road will more closely equalize the spending potentials at build-out.

(Table 8.)

HOTEL ROOMS AND SPENDING POTENTIALS BY SUBAREA (Expenditure Potentials in Millions of Constant 2009 Dollar Values)	2009	2015	2030
Carlyle Subarea			
Number of Rooms	500	500	500
Potential for Food and drink	$7.7	$7.7	$7.7
Potential for Convenience Retail	$1.9	$1.9	$1.9
Potential for Shoppers Goods	$3.8	$3.8	$3.8
Hoffman Subarea			
Number of Rooms	196	196	454
Potential for Food and drink	$3.0	$3.0	$7.0
Potential for Convenience Retail	$0.8	$0.8	$1.7
Potential for Shoppers Goods	$1.5	$1.5	$3.5
Study Area Total			
Number of Rooms	696	696	954
Potential for Food and drink	$10.7	$10.7	$14.7
Potential for Convenience Retail	$2.7	$2.7	$3.6
Potential for Shoppers Goods	$5.3	$5.3	$7.3

Source: H. Blount Hunter Retail & Real Estate Research Co. and Chapman Consulting

Table 9 summarizes total internally-generated demand for food and drink and retail goods.

(Table 9.)

INTERNALLY-GENERATED DEMAND FOR FOOD AND DRINK AND RETAIL GOODS (Expenditure Potentials in Millions of Constant 2009 Dollar Values)			
Study Area Total	**2009**	**2015**	**2030**
Food and drink			
Residents	$14.3	$25.8	$32.1
Office Workers	29.2	37.1	55.1
Hotel Guests	10.7	10.7	14.7
Subarea Total	$54.2	$73.6	$101.9
Convenience Retail			
Residents	$29.6	$53.2	$66.2
Office Workers	6.1	7.7	11.4
Hotel Guests	2.7	2.7	3.6
Subarea Total	$38.4	$63.6	$81.2
Shoppers Goods			
Residents	$36.6	$65.8	$81.9
Office Workers	12.0	15.3	22.8
Hotel Guests	5.3	5.3	7.3
Subarea Total	$53.9	$86.4	$112.0

Source: H. Blount Hunter Retail & Real Estate Research Co. and Chapman Consulting

With reasonable "capture rates, Eisenhower East can support 103,000 SF of retail space assuming $350 PSF productivity and 86,000 SF of food space assuming $400

PSF productivity. These quantities of "supportable" spaces are well <u>below</u> the amount of existing space and point to Eisenhower East's need to draw upon externally-generated demand to support existing and planned retail space.

<u>CONCLUSIONS</u>

On-site sources of market demand are not sufficient by themselves to support 684,000 SF of retail space programmed for Eisenhower East. Internally-generated demand will be inadequate even at build-out when Eisenhower East has 38,000 office workers, a resident population of approximately 10,000, and 950 hotel rooms.

Quite clearly, the existing and programmed inventory of retail space requires substantial externally-generated demand from beyond Eisenhower East. To fill vacancies and accommodate future retail space, Eisenhower East requires support from a residential trade area similar to trade areas served by shopping centers.

Physical limitations and site weaknesses preclude the creation of a "critical mass" retail cluster with the potential to function as a "shopping" destination within the Carlyle and South Carlyle subareas. Retail spaces are small and shallow; they are not clustered into an effective "node" for shopping; they are buried inside Eisenhower East with no visibility and no direct connection to Duke Street or Telegraph Road; all suffer from the lack of retail architecture.

New retail development in the Hoffman Subarea could be executed in a manner that could create an effective retail node with drawing power beyond Eisenhower East. However, the development plan currently under consideration on Blocks 11 and 12 does not appear to part of a cohesive and comprehensive strategy to establish a retail node that will the local trade area to the extent necessary. While there was a plan for creating retail space, there was no comprehensive retail plan for Eisenhower East. Piecemeal development has created a highly fragmented allocation of "retail" spaces that struggles to perform.

EVALUATION OF RETAIL ELEMENT OF EISENHOWER EAST

A large amount retail square footage was made mandatory by the Eisenhower East Small Area Plan. While the Eisenhower East Small Area Plan incorporates many desirable urban design elements, the plan does not incorporate important retail site planning principles that an experienced retail developer would have incorporated into a comprehensive retail development plan.

Eisenhower East lacks the physical form and massing to promote "shopping" as a primary activity within all if its subareas. Eisenhower East has inherent weaknesses as a retail setting due to its physical design.

- Retail storefronts are dispersed through Eisenhower East, eliminating the benefits of "clustering" and diminishing the sales performance of existing retailers.
- Ground level retail space is required in virtually every office structure regardless of whether there is adequate demand from office workers and residents within reasonable distances.
- Several blocks seeded with retail storefronts are not "double loaded." Having retail shops on both sides of a street fosters pedestrian activity and shopping.
- Retail storefronts are often recessed or pushed under overhead arcades. This reduces exposure to passersby and reduces likelihood of use.
- Few storefronts within Eisenhower East have separate architectural identity as retail spaces. The architecture of office buildings overpowers the visibility of ground level mercantile spaces.
- Ground level storefronts surround John Carlyle Park on all four sides, yet the park itself is so wide that it presents a barrier to cross-patronizing shops on opposite sides of this village green.
- Retail concentrations are disconnected by the courthouse and the USPTO complex as well as truck loading areas and blank building walls; there are blocks without retail in between areas with retail storefronts. These "dead zones" inhibit pedestrian activity.
- Security barriers and procedures often disrupt pedestrian patterns on Jamieson Avenue in the vicinity of the federal courthouse.
- The U.S. Patent and Trademark Office complex incorporates an employee cafeteria that detracts from Carlyle's retail viability by internally capturing a large share of PTO employees' food spending.
- On-street parking is limited in areas designated as primary retail nodes.

- The blank wall of the USPTO East Garage keeps John Carlyle Street from being "double loaded" for much of the way between Jamieson and Eisenhower avenues

Eisenhower East's urban design guidelines prescribed the placement of retail space throughout Eisenhower East but did not establish connectivity between concentrations of retail space. Zoning and use regulations stipulated the amount of retail square footage that will ultimately be developed Eisenhower East. Zoning and use regulations defined the types of businesses that by right or special approval may occupy retail space. The public sector has used its power to influence the retail component of the built environment at Eisenhower East, but zoning and use regulations do not articulate a compelling retail vision for the Eisenhower East Small Area Plan. Neither the planning process nor regulatory procedures assure that Eisenhower East's retail component will function in a coordinated, cohesive manner.

Limitations in the Overall Development Process

As simplistic as it may seem, there are huge differences between building structures primarily for other uses with retail space on the ground level – and building a retail center with other uses on the levels above it.
The development of successful retail centers requires the rigorous consideration of all the factors noted above – as well as unified ownership, management, marketing and leasing. The process typically includes the following components:

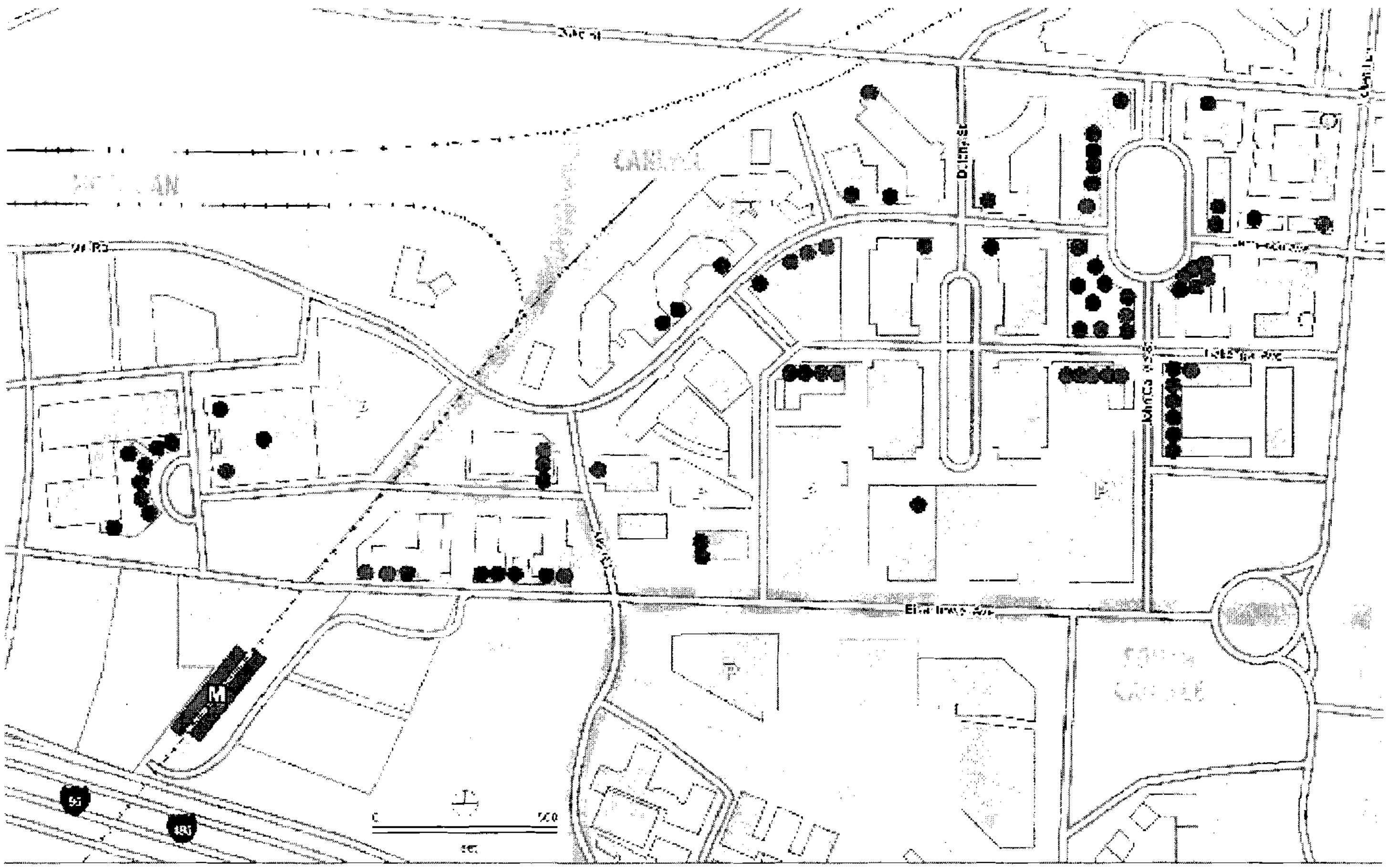
- The developer assesses the competitive retail environment and store location patterns, identifies a viable retail niche and competitive posture, evaluates the need for anchor uses, and identifies lead prospects.

- The design of the center is based upon the number of anchor(s) and their physical requirements. Anchors are positioned to promote cross-shopping and maximize the exposure of shopper traffic to small inline spaces.

- Parking is provided to meet retailer requirements and the convenience of retail customers.

- Leasing staff prepares merchandising and leasing plans to identify target prospects for specific spaces. They aggregate a complement of committed tenants before leases are actually executed.

- A retail center may be developed in phases but the first phase must have a coherent retail complement, with clearly identifiable circulation patterns and appropriate critical mass.



Occupied Retail Space in Carlyle & Hoffman Sub Areas

- Food Service
- Grocery/Convenience Retail
- Financial Services
- Personal/Business Services
- Other Retail/Commercial Use
- Vacant
- Blocks Allocated Additional Retail Space
- P Dedicated Parking Structure
- Study Area
- Sub Areas

Assessment of Existing Retail Spaces

Table 10 summarizes the September, 2009 occupancy status of 446,000 SF of existing retail space within the Study Area. Just over 255,000 SF (60 percent) is in the Carlyle Subarea. Nearly 175,000 SF (40 percent) of the total is within the Hoffman Subarea. A single vacant building with about 16,000 SF of space is the only existing retail facility in the South Carlyle Subarea. ***Of note, 129,000 SF—or nearly 30 percent of all existing space—is vacant.***

(Table 10.)

OCCUPANCY STATUS OF EXISTING RETAIL SPACE AND AUTHORIZED NEW SPACE

(Space in Square Feet)

	Carlyle Subarea	South Carlyle Subarea	Hoffman Subarea	Study Area Total
Total Occupied	158,616	0	158,160	316,776
Total Vacant	96,962	15,755	16,415	129,132
Total Existing	255,578	15,755	174,575	445,908
Authorized New Space	6,286	53,991	178,120	238,397
Grand Total	261,864	69,746	352,695	684,305

Source: City of Alexandria

Since the current uses and issues within each of the three subareas are very different, they are addressed in separate sections of this report. On an overall basis, three key points about Eisenhower East's retail environment must be stated emphatically:

- ***The presence of a wide variety of competitive retail nodes – and planned changes – limits the trade area draw for facilities within the Study Area. Moreover, their presence as alternative destinations underscores the importance of anchor uses and carefully crafted merchandise plans in attracting customers from outside the Study Area to its retail, food service and entertainment uses.***

- ***As it is today, the Carlyle and Hoffman Subareas each have a single anchor: the Whole Foods supermarket in Carlyle and the AMC Hoffman multiplex theater in the Hoffman Subarea. There are no other anchor uses to generate traffic from outside the Study Area and each of the two existing anchors fulfills a very different role as a "destination" use. A theater can be an effective anchor for dining and drinking establishments but is not a strong anchor for generating shoppers' goods shopping trips. A grocery store can be an effective anchor for convenience goods retailers but typically does not*** *generate spin-off patrons for shoppers' goods retailers.*

- *This limited array of anchors within the Study Area compounds the inherent limitations previously noted: Eisenhower East is an isolated pocket with limited traffic passing by, and its Metrorail Station—with a comparatively low ridership level—is located off-center in the far southwestern corner of the area.*

- *Eisenhower East's highly dispersed ground level storefronts are not hospitable to "retailing." Eisenhower East cannot be physically retrofitted to become a "destination retail node" with a focus on "comparison retail goods." With no external exposure, the likelihood of drawing patrons from beyond Eisenhower East is limited. Relying upon internally-generated demand results in limited overall "retail" capacity. More critically, there is no viable setting with 100,000+ square feet to establish a critical mass of retailers that would replicate the function role of Reston Town Center or Market Common at Clarendon.*
- *The problems affecting most of the "retail" space in this Subarea are so basic that they cannot be corrected without massive structural modifications to buildings. Retail architecture would need to be imposed on the facades of office buildings to create storefronts; modifications would need to occur along entire blocks to establish a retail district. Store depths need to be increased to meet retailers' needs; display windows would need to be added or existing windows would need to be enlarged; entrance doors would need to be relocated to corners; recessed facades would need to be pulled out to the sidewalk property line to enhance exposure and increase likelihood of patronage.*

The continued growth of Eisenhower East's office employment and residential base will not "cure" the chronic vacancy that exists in Carlyle. Looking ahead, the total amount of zoning-required retail space programmed for Eisenhower East far exceeds projected levels of internally-generated demand and spending capacity.

At present, the Carlyle Subarea includes just over 255,000 SF of designated retail space. Its sole anchor -- the Whole Foods supermarket -- occupies just over 40,000 SF of space in the far northeastern corner on the ground level of a residential building. Dedicated parking is situated in the garage under the building. Due to its location facing Duke Street and its internal parking capacity, the Whole Foods store does not fulfill its anchor potential in generating synergistic traffic to support other adjacent uses. Despite Whole Foods' extended drawing power, trips to this destination merchant do not result in "spin off" visits to other retailers in Carlyle or Eisenhower East. Grocery shopping trips are generally incompatible with shopping for shoppers' goods merchandise, and impact of this particular store is limited by its insularity.

It is also important to note that apart from Whole Foods and the small convenience store in the Meridian at Carlyle apartment building, there are no "retail" establishments within the Carlyle Subarea.

Instead, food service uses geared primarily to the daytime workforce constitute the largest amount of occupied space. There are 19 such establishments occupying roughly 57,000 SF. In addition to the Carlyle Club and several full-service restaurants, this category includes a wide variety of casual, quick-service facilities. This category also includes the Sodexo cafeteria in the PTO headquarters and its availability to PTO staff limits the patronage potentials at other Study Area food service facilities.

Branch banks and other financial services account for nearly 23,000 SF of occupied space. Personal and business services occupy just under 7,000 SF; they include two dry cleaners, a beauty salon, real estate office and travel agency.

In the "other" category, two major uses on the second floor of Carlyle Center occupy nearly 30,000 SF of designated retail space: the Learning Tree and George Washington University. They do not fit the traditional definition of retail use but are allowed because they generate foot traffic. The third "other" use is a small art gallery facing John Carlyle Square.

As shown Table 11, the current vacancy in designated retail space in the Carlyle Subarea is 97,000 SF or 38 percent.

(Table 11.)

STATUS OF DESIGNATED RETAIL SPACE IN THE CARLYLE SUBAREA, AUGUST 2009

	Units	Sq. Ft.
Food/Beverage Service	19	56,887
Grocery/Convenience Retail	2	41,606
Financial Services	7	22,884
Personal/Business Services	5	6,841
Other Retail/Commercial Use	3	30,398
Vacant	29	96,962
Subarea Total	65	255,578

Source: City of Alexandria

The Carlyle Subarea does not have properly deployed anchor retail uses nor does it have a cohesive complement of retail, food service, and entertainment uses capable of attracting significant numbers of customers from beyond the Study Area.

The development of Carlyle was undertaken with the expectation that a viable retail district would emerge organically over time. Though well-intentioned, the emergence of a de facto retail district in the ground floor spaces of new buildings built primarily for other purposes would have been unlikely particularly in a retail environment as competitive as that affecting the Study Area. In contrast to the shopping center development model noted above, the limitations of this approach are as follows:

- Floor plates are determined by upper level uses and are not designed to accommodate typical anchor uses.

- The primary retail anchor use in the Subarea does not support other adjacent retail uses.

- The designated "retail" spaces are scattered throughout the Carlyle Subarea on the ground level of buildings built primarily for other uses and under fragmented ownership.

- There is no overall merchandising or leasing plan and a variety of property owners, brokers, and leasing agents are involved. Potential retailers have no assurance of a mutually supportive co-tenancy.

- Though available for retail customers, parking is primarily for the benefit of the predominant office use.

- Rather than a cohesive complement of retail stores built at one time for maximum market impact, retail spaces have been built in small increments and have been delivered to market based upon demand for office space rather than retail tenant demand.

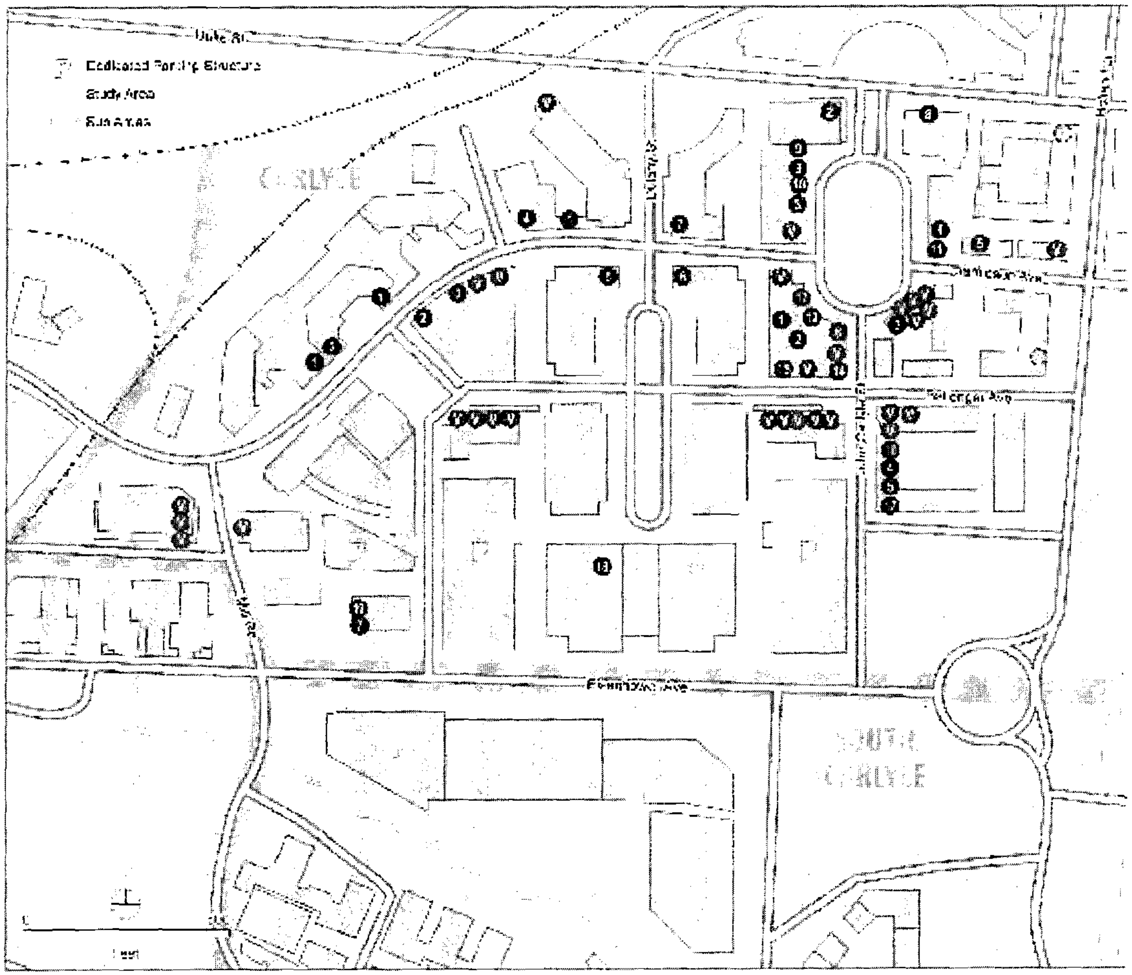
As a consequence of these factors, the Carlyle Subarea has wound up with a collection of ground floor commercial spaces that are dysfunctional for retail use.

There is a notable concentration of commercial space along John Carlyle Street and Square. Even this area has other limitations for retail use:

- Although it may become an attractive public space, John Carlyle Square is too large to promote cross-patronage between establishments on either side of it.

- There are no spaces large enough to accommodate anchor tenants.

- Extending for approximately 1,000 feet from Duke Street to Emerson Avenue, the John Carlyle corridor is too elongated for the number of establishments currently located there.



Roster of Occupied Retail Space in the Carlyle Subarea

Food Service
1 Cafe Gallery Market
2 Trademark Bar/Jamieson Grill
3 Starbucks
4 Fasara Thai Rest
5 Randolph Eatery
6 PTC Coffee House
7 Plaza Gourmet
8 Subway
9 Uptowner Cafe
10 Pizzeria Vert
11 Jimmy John's
12 Potbelly Sandwich Works
13 Carlyle Club
14 Starbucks
15 Robeks
16 Jerry's Subs
17 Zirayet
18 PTC Cafeteria
19 Cafe Old Town

Grocery/Convenience
1 Whole Foods
2 Meridian Mart

Financial Services
1 Chevy Chase Bank
2 Wachovia Securities
3 Citi Smith Barney
4 Charles Schwab
5 Burke & Herbert
6 HSBC Bank
7 US Senate Federal Credit Union

Personal/Business Services
1 Stone Realty
2 Cruise Holidays
3 Gallery Cleaners
4 Georgetown Valet
5 Frizzles

Other Retail/Commercial
1 George Washington University
2 Learning Tree
3 Matthew Johnson

Vacant

- Significant gaps in retail storefront continuity interrupt pedestrian activity and decrease the amount of traffic available to merchants.

The amount of dedicated "retail" space stands in distinct contrast to the amount of retail and food and beverage demand generated within the Carlyle Subarea. Within the Carlyle Subarea, the demand for food and drink is larger than the demand for retail goods, and office workers account for 60 percent of the total demand. The demand for convenience goods falls just short of $25 million and residents account for more than 70 percent projected demand. The demand for shoppers' goods merchandise exceeds $35 million and in that category, residents represent 60 percent of total demand.

By retail trade area standards, these demand levels are comparatively modest and will not increase very much over time – as measured in constant non-inflationary dollars.

There is very little future growth opportunity as the Carlyle Subarea is virtually built-out in every respect. The only designated retail space remaining to be built is another 6,300 SF in Post Properties' apartment complex on Block O.

With only two remaining changes planned for the Carlyle Subarea - construction of the Post Properties apartment complex on Block 0 and redevelopment of the two small office buildings in Eisenhower Center – the built environment is virtually complete and there is no significant opportunity to re-engineer the retail scope and composition. As a consequence, establishments within the Subarea will continue to be heavily dependent on on-site sources of market demand.

Table 12 presents demand by category within the Carlyle Subarea.

(Table 12.)

DEMAND LEVELS WITHIN THE CARLYLE SUBAREA FOR FOOD AND DRINK AND RETAIL GOODS

(Expenditure Potentials in Millions of Constant 2009 Dollar Values)

	2009	2015	2030
Food and drink			
Carlyle Residents	$8.6	$10.5	$10.5
Carlyle Office Workers	23.5	23.5	24.7
Carlyle Hotel Guests	7.7	7.7	7.7
Carlyle Subarea Total	$39.8	$41.7	$42.9
Convenience Retail			
Carlyle Residents	$17.7	$21.6	$21.6
Carlyle Office Workers	4.9	4.9	5.1
Carlyle Hotel Guests	1.9	1.9	1.9
Carlyle Subarea Total	$24.5	$28.4	$28.6
Shoppers Goods			
Carlyle Residents	$21.9	$26.8	$26.8
Carlyle Office Workers	9.7	9.7	10.2
Carlyle Hotel Guests	3.8	3.8	3.8
Carlyle Subarea Total	$35.4	$40.3	$40.8

Source: H. Blount Hunter Retail & Real Estate Research Co. and Chapman Consulting

Supply/Demand Considerations

The consultants had hoped to perform a market share analysis to measure the extent to which existing businesses penetrate demand levels, but existing merchant sales data was not available.

In its place, the consultants used an estimation technique to evaluate the supply-demand balance in the dominant category: eating and drinking places. In this assessment, it was estimated that they tap 80 percent of the demand among the office work force, 10 percent among Study Area residents and 15 percent among hotel guests. Coupled with inflow from various sources, total sales were estimated at about $22 million and an overall average of $387 per SF. These are not very strong numbers and leave room for further improvement.

The nearly 57,000 SF in existing food service space appears adequate for the future and any further growth in demand should be devoted to improving sales productivities in existing facilities rather than encouraging new ones.

In the convenience retail category, there is no basis for estimating total sales at the Whole Foods supermarket and the extent to which it captures subarea demand. However, it is the dominant use in this category, is conveniently situated and undoubtedly enjoys strong support from the various demand groups in the subarea.

There are no shoppers' goods stores within the Carlyle Subarea and it is unlikely that such retailers will be attracted to this subarea of Eisenhower East. With no anchors successfully generating customer traffic from beyond the Study Area, the comparatively modest demand levels within it are spread across the subarea. Under these conditions, it is virtually impossible for shoppers' goods merchants to generate viable sales volumes at the market share rates they typically require.

Based on these factors, it is the consultants' opinion that there is a significant oversupply of commercial space that has been designated for "retail" in the Carlyle Subarea and this situation can be expected to persist. From a market demand standpoint, no additional new stores are warranted with the possible exception of a convenience store and/or drugstore.

The Hoffman Subarea currently includes about 175,000 SF of designated "retail" space. Just over 150,000 SF is situated in the heart of the Subarea in a grouping anchored by the AMC theater and nine food uses in Hoffman Buildings I and II. The theater occupies 125,000 SF food and beverage operations in the immediate vicinity occupy about 24,000 SF. An additional 24,000 SF of retail space is located at ground level in The Meridian and Carlyle Place. Much of this space is vacant. There are no "retailers" in the Hoffman Subarea today.

(Table 13.)

STATUS OF DESIGNATED RETAIL SPACE IN THE HOFFMAN SUBAREA, AUGUST 2009.

	Units	Sq. Ft.
Food/Beverage Service	12	29,893
Personal/Business Services	3	3,267
Other Retail/Commercial Use	1	125,000
Vacant	3	16,415
Subarea Total	19	174,575

SOURCE: City of Alexandria

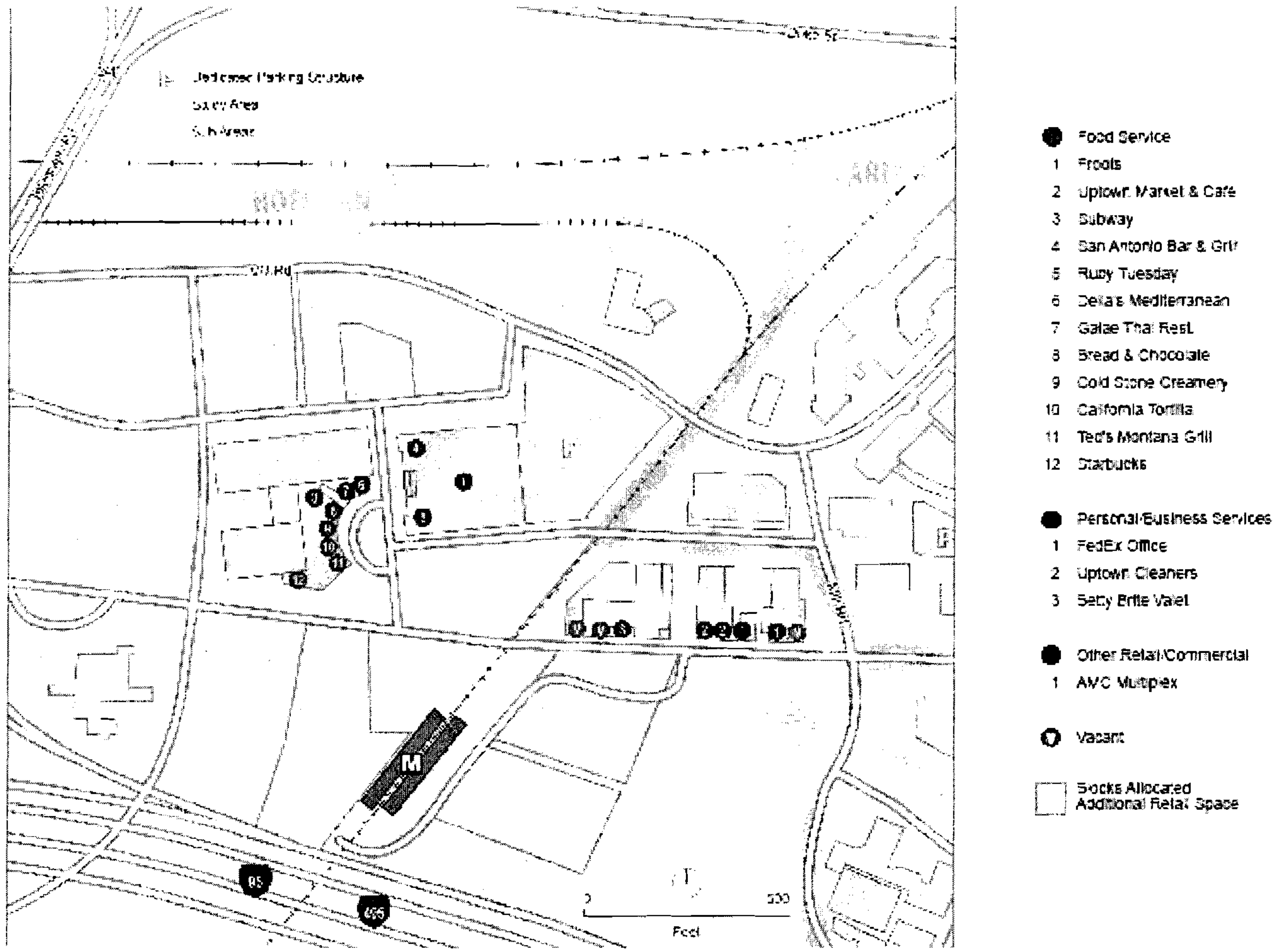
This entertainment and food service grouping is the one "retail" area within the Study Area that appears to work well. The theater attracts customers from well beyond Eisenhower East, and the food service operations benefit from theater patrons, office workers in the adjacent Hoffman Buildings and elsewhere in the Study Area, and hotel guests.

For the future, another 178,000 SF of designated retail space has been programmed for the Hoffman Subarea. It is distributed among six different blocks and—as in the case of the Carlyle Subarea—it is planned as ground floor space in buildings built primarily for other uses.

In the consultants' opinion, an incremental approach to retail development in the Hoffman subarea may result in a fragmented retail environment rather than a cohesive, fully-functional retail node.

The limitations of the approach of decentralized space in building lobby storefronts are already evident in the two residential towers on the north side of Eisenhower Avenue, where 16,000 of the 24,000 SF of designated retail space is vacant.

The consultants recommend rethinking the allocation of "retail" space with a possible downward adjustment in the amount of commercial space that is required to have retail uses in the Hoffman subarea.



Roster of Occupied Retail Space in the Hoffman Subarea

(Table 14.)

Existing and Planned Uses by Block in the Hoffman Subarea

Block	Name	Current Use	Units	Existing Sq. Ft.	Planned Use	Planned Units	Planned Sq. Ft.	Retail Square Feet Existing	Retail Square Feet Planned
1	Holiday Inn	Hotel	196						
2		New Car Storage			Office		470,000		
3		Surface Parking			Office		300,000		
4		Surface Parking			Office		436,000		36,950
5		Surface Parking			Residential	269	260,000		24,050
6	Hoffman Building	Office		976,000				14,461	
7		Cinema/Food		136,000				135,924	
8		Surface Parking			Office		451,318		22,120
9A		Surface Parking			Hotel	258	170,000		
9B		Surface Parking			Office		800,000		30,000
11		Surface Parking			Residential	446	430,000		50,000
12		Surface Parking			Residential	461	445,000		15,000
13	Meridian at Eisenhower Station	Residential	369	279,455				12,100	
14	Hoffman Parking Garage	Parking Deck							
15	Substance Abuse Center, Community Shelter	Other							
18	Carlyle Place Apartments	Residential	326	289,001				12,090	
19		Vacant Land			Residential	485	474,000		
20		Vacant Office			Office		585,000		
	Total							**174,575**	**178,120**

Issues to be Considered in Future Development

The development plan for Blocks 11 and 12 raises several issues with respect to future retail potential in the Hoffman Subarea:

1) the differences between tracts abutting the Capital Beltway and others elsewhere in the Study Area

2) the critical importance of anchor uses in generating traffic from outside Eisenhower East

3) building configurations and integration necessary for smaller inline tenants to benefit from patrons drawn to anchor tenants

Two vacant tracts flank the Beltway and offer visibility to passing traffic on it: the tract comprised of Blocks 11 and 12; and the tract comprised of Blocks 9A and 9B. In addition to visibility, accessibility from the Beltway is also reasonably convenient, or will be once the construction currently underway is completed. Moreover, these two tracts flank the Eisenhower Avenue Metrorail Station.

This combination of attributes—visibility and accessibility from the Beltway and immediate proximity to the Metrorail Station—is not available at any other designated retail sites in the Study Area and enhances the value of these two tracts as potential retail development sites.

Anchor uses will determine whether "town center" generates customer traffic from beyond the Study Area. The AMC multiplex theater currently fulfills the role as anchor in the Hoffman Subarea by generating traffic to help support adjacent food service establishments. In the consultants' opinion, the benefit of this anchor use is already being capitalized upon and "town center" is unlikely to have a retail trade area that extends beyond the drawing power of the movie theater.

The Harris Teeter supermarket proposed for Blocks 11 and 12 would reaffirm a limited geographic trade area for "town center." A traditional supermarket such as this would divert some sales from Whole Foods but would not threaten its viability. Most shoppers use a specialty grocer such as Whole Foods for a portion of their grocery shopping and also patronize traditional supermarkets. That would continue to be the case among Whole Foods' customers.

The trade area for a Harris Teeter store would be influenced by its other nearby locations: the Potomac Yard store about 3 miles to the north on U.S. Highway 1 and the Shops at Foxchase store about 3 miles to the west on Duke Street. As there are no existing Harris Teeter stores to the south, Harris Teeter would be likely to pick up new shoppers from this untapped area.

Conceptually, a 50,000 SF supermarket anchor would justify the development of an additional 50,000 SF of smaller tenant space. In keeping with a typical neighborhood shopping center, this would include stores to meet customers' daily needs such as a drugstore, dollar store, liquor/wine shop, cell phone store, women's hair salon, dry cleaner, mail/packaging store, nail salon, branch bank, etc.

To fully benefit from the presence of the supermarket, this complement of smaller tenant space should be configured to have maximum exposure to supermarket customers and offer convenient surface parking as is the case with the typical neighborhood shopping center.

An alternative approach for future retail development would be to focus on internal growth in demand within the Subarea and ensure that the appropriate amount of designated retail space is added in conjunction with emerging demand.

As shown in Table 15, total demand levels in each category are fairly modest for 2009 but will increase at build-out as new office buildings and residential projects are added. When "capture rates" are applied to the anticipated levels of spending capacity, the amount of "supportable square footage" is limited.

At build-out, demand levels in the various categories will rival those of the Carlyle Subarea today. In fact, spending potentials for food and drink at build-out will be virtually identical, whereas the potential for convenience retail goods and shoppers' goods will be greater in the Hoffman Subarea due to a larger number of residents projected in the long term.

(Table 15.)

DEMAND LEVELS WITHIN THE HOFFMAN SUBAREA FOR FOOD AND DRINK AND RETAIL GOODS

(Expenditure Potentials in Millions of Constant 2009 Dollar Values)

	2009	2015	2030
Food and drink			
Residents	$4.0	$11.9	$13.4
Office Workers	5.7	11.6	23.3
Hotel Guests	3.0	3.0	3.0
Subarea Total	$12.7	$26.5	$39.7
Convenience Retail			
Residents	$8.2	$24.6	$27.7
Office Workers	1.2	2.4	4.8
Hotel Guests	0.8	0.8	1.7
Subarea Total	$10.2	$27.8	$34.2
Shoppers Goods			
Residents	$10.1	$30.4	$34.3
Office Workers	2.3	4.8	9.7
Hotel Guests	1.5	1.5	3.5
Subarea Total	$13.9	$36.7	$47.5

As is the case with the Whole Foods store in the Carlyle Subarea, residents of the Hoffman Subarea would provide strong support for a Harris Teeter supermarket on Block 11. Beyond that and other convenience-oriented retail stores, however, it will be very difficult to lure shoppers' goods merchants offering "comparison goods" without having at least one major "comparison goods" anchor store in "town center."

On the other hand, the food and drink category could offer significant opportunities. As shown in Table 15, the demand in this category totals $12.7 million in 2009. At build-out, it will triple to $39.7 million. Office workers will account for nearly 60 percent of the total at build-out and they have a strong affinity for dining facilities close to their place of work.

In an analysis similar to the one performed for the Carlyle Subarea, it is estimated that current food service sales in the Hoffman Subarea total about $12 million and average just over $400 per SF in the 30,000 SF of occupied food service space. Based on reasonable capture rate assumptions, food and beverage sales could total up to $30 million at build-out. At sales productivity of $500 per SF, that volume would support an additional 30,000 SF of food service space.

In the consultants' opinion, providing additional food service space is the best market-driven opportunity for future retail development in the Hoffman Subarea.

Expanding the Food Service Offering in the Future

The compact format of the current food service offering near the AMC multiplex and Hoffman Buildings I and II is highly functional. A goal should be expanding this node in a way that maintains the cohesiveness and convenient circulation patterns evident today. To be sure, Block 8 would be a logical location for expanded food service operations but only 22,000 SF of designated retail space has been allocated to that block.
There are two site options for accommodating additional food service space: to the north of the AMC Hoffman 22 on Block 5

or to the south of Eisenhower Avenue on Block 9B. Trade-offs need be considered:

- Block 5 offers proximity to the existing parking deck but is somewhat isolated from the bulk of the current offering due to security bollards on Swamp Fox Way.

- Block 9B offers the benefit of proximity to the Metrorail Station and the traffic it generates but Eisenhower Avenue represents a significant physical and psychological barrier.

These tradeoffs need to be carefully considered and the sites themselves should be evaluated to determine whether the designated retail space on them can be successfully integrated with the existing complement of uses. If the conclusions are negative, the retail space designated for these blocks may be relinquished in favor of other uses

The South Carlyle Subarea is located south of Eisenhower Avenue and west of Holland Lane. It encompasses Blocks 24, 25A, P, 26B, 27, 28, 29 and 30. Carlyle Plaza One will be located within the South Carlyle Subarea. South Carlyle is the smallest of the three designated subareas within Eisenhower East. It is the least developed subarea at the present time, and at build-out it will have the lowest residential unit count and the smallest amount of office space of the three subareas.

As previously noted, the sole retail building within the South Carlyle Subarea is located at the southwest corner of Eisenhower Avenue and Hooffs Run Drive. It has just under 16,000 SF of space. At one point, it was expected to house a Rite Aid pharmacy and two restaurants. However, Rite Aid subsequently backed out and no deals have been signed. In the consultants' opinion, the building is not well designed for retail use and should be devoted to another purpose.

In the South Carlyle Subarea, a total of nearly 54,000 SF of retail space has been authorized for Block P where Carlyle Plaza One is to be located.

The major issue in the South Carlyle Subarea is the scale and composition of retail uses on Block P. In the Small Area Plan, this location was designated as a neighborhood retail area and a total of about 54,000 SF of retail space has been authorized.

(Table 16.)

DEMAND LEVELS FOR FOOD & DRINK RETAIL GOODS IN SOUTH CARLYLE

(Expenditure Potentials in Millions of Constant 2009 Dollar Values)

	2009	2015	2030
Food & Drink			
Residents	$1.8	$3.4	$8.2
Office Workers	0.0	2.0	7.1
Hotel Guests	0.0	0.0	0.0
Subarea Total	$1.8	$5.4	$15.3
Convenience Retail			
Residents	$3.7	$7.0	$16.8
Office Workers	0.0	0.4	1.5
Hotel Guests	0.0	0.0	0.0
Subarea Total	$3.7	$7.4	$18.3
Shoppers Goods			
Residents	$4.6	$8.7	$20.8
Office Workers	0.0	0.8	2.9
Hotel Guests	0.0	0.0	0.0
Subarea Total	$4.6	$9.5	$23.7

Sources: H. Blount Hunter Retail & Real Estate Research Co. and Chapman Consulting

Development on Block P has a required retail allotment of 53,991 square feet. There will be 25,933 square feet of ground level retail space in Carlyle Plaza One. The North Tower ("north pad") will have 12,287 square feet of retail space while the South Tower ("south pad") will have 13,106 square feet of retail space.

By zoning regulation, ground floor retail uses may include:

1. Retail shopping establishments
2. Personal service uses (barbershops and beauty salons, dressmakers and tailors, dry-cleaning pick-up/drop-off, optical centers, professional photographer's studios, photocopying service, travel agents, and banks if not adjoining another bank or financial service office
3. Private schools
4. Public schools
5. Health clubs
6. Realty offices
7. Tax preparation services

Additional active uses may be allowed following Administrative Approval:

1. Full-service restaurants (subject to specific conditions)
2. Outdoor dining restaurants (subject to minimum criteria and conditions)
3. Other providers of goods and services to the general public; other commercial activities that involve a high degree of pedestrian activity

A Special Use Permit, if received, allows for additional uses:

1. Restaurants not otherwise meeting established criteria
2. Banks which do not meet separation requirements
3. Financial investment and consulting offices
4. Entertainment uses

On Block P as elsewhere in Eisenhower East, a building owner who is unsuccessful in leasing or selling space for retail use as required by the Small Area Plan design guidelines may petition the Director of the Department of Planning & Zoning for permission to lease the space for a non-retail use for a period not to exceed ten years. Several building owners have requested temporary exemptions from the retail use requirements.

In broad terms, most retailers would perceive Block P as weak retail location; most restaurateurs would also consider it to be an inferior restaurant location.

- The three streets serving the site effectively terminate at Block P and do not provide good access in all four directions. As a consequence, exposure to passersby is comparatively weak: average daily traffic on Eisenhower Avenue is 15,000 vehicles and only 9,800 on Holland Lane. Holland Lane has a low average daily traffic count of 9,800 vehicles. It is not a through street; its users are likely a small handful of repeat users. Realigning the traffic circle into a T-intersection will not increase the use of this road by motorists originating within Eisenhower East or motorists originating outside of Eisenhower East.

- Block P is in a remote corner of Eisenhower East surrounded by inactive uses (African American Heritage Park, Wastewater Treatment Plant, Public Safety Complex) that will not generate consumer demand. .

- Indeed, even at build-out, the South Carlyle Subarea will have the fewest number of residential units and smallest amount of office space.

- Block P is about one-half mile from the Eisenhower Avenue Metrorail Station and beyond the 1,500-foot radius considered convenient for transit-users. Internally-generated consumer demand for retail merchandise is miniscule and will remain modest. There are currently 893 residential units located east of Dulany Street. By 2030, the South Carlyle subarea is expected to gain only 1,165 new residential units.

- The retail space would generate the need for 100 parking spaces using a ratio of 4 spaces per 1,000 square feet of leasable area, or 125 spaces if the traditional shopping center parking ratio is maintained. There will be limited street parking at curbside; deck parking will discourage casual patronage of retailers in Carlyle Plaza South in the same manner that parking limitations have negatively impacted King Street Station.

A caveat about the quality of area surrounding Carlyle Plaza South as a site for "retailing" was raised in the 2002 Eisenhower East retail analysis by Whitney & Whitney, Inc. and warrants repeating at this time:

> *"....it should be recognized that the location is not particularly viable as a retail site given that (a) there is no access from the east due to the existing park, cemetery and other physical constraints; (b) access from the south is constrained due to the I-95/I-495 Beltway and Cameron Run......"*[5]

[5] Analysis of Market Potential for Office and Retail Space Eisenhower East Corridor, Whitney & Whitney, Inc, December, 2002, p. 49

In the consultants' opinion, this combination of factors undermines the viability of any conventional retail use and seriously challenges the prospects for food service venues. South Carlyle is a very weak setting for "retailing" but may have some opportunity as a site for restaurants and non-traditional uses that may qualify as "active uses" under current zoning. These categories of uses defy conventional predictive models.

RETAIL ELEMENT OF CARLYLE PLAZA ONE

Carlyle Plaza One is a planned mixed-use building on Block P in the southeast quadrant of Eisenhower Avenue and Hooffs Run Drive near John Carlyle Street. The building will consist of two office towers above lobby-level retail space and five levels of enclosed parking. The office towers will be connected on floors 7 through 9 by glass bridges. With LEED Silver certification and a strong Art Deco-inspired design, Carlyle Plaza One will offer high-profile corporate office space. Tenants will have direct access to organizations within Eisenhower East along with access to Old Town and close proximity to Reagan National Airport. With LEED Silver certification and a strong Art Deco-inspired design, it will offer 342,500 SF of high-quality corporate office space.

At ground level, the complex includes 25,933 SF of designated retail space: the North Tower will have 12,287 SF and the South Tower will have 13,106 SF. The north "pad" will have frontage along Eisenhower Avenue but the south "pad" will not have exposure from a major roadway.

Carlyle Plaza One will be located across Eisenhower Avenue from the blocks of John Carlyle Street that were envisioned as the "neighborhood retail cluster" for Carlyle residents.

The retail spaces as planned within Carlyle Plaza One are problematic due to location within Eisenhower East and their overall size.

- The north "pad" in Carlyle Plaza South will have some frontage on Eisenhower Avenue but the south "pad" will have virtually no direct exposure to Eisenhower Avenue. Most of the retail space will face west onto streets designated as B Streets in the planner's street grid hierarchy.

- Carlyle Plaza One's 342,500 square feet of office space will accommodate approximately 1,400 employees by 2015. The current annual food/beverage expenditure potential of these employees is estimated at $1.9 million. The food/beverage needs of these on-site employees can be met with approximately 5,400 square feet of space assuming $350 PSF productivity and 100 percent capture by operator(s) within the building. A more likely scenario is for worker demand to support not more than 2,700 square feet based upon 50 percent capture of spending potential. Supportable square footage is a small fraction of ground level space currently programmed for retail use.

One development option that was identified for evaluation is a destination food service use. Both "pads" could accommodate as many as five or six different restaurant operations. The strategy would be to lure large-format dining concepts that are not able to find adequate space in Old Town—their preferred site. To create a compelling destination, careful thought must be given to water features and other public amenities, outdoor dining terraces, and "people-watching" opportunities. The quality of "place" to be established by Carlyle Plaza One is insufficient to establish a compelling site for this use.

An unprecedented development of this type is not subject to predictive modeling. Sales tax data suggests that Alexandria may be under-served by restaurants although there is no over-riding rationale for establishing destination restaurants at Carlyle Plaza One.

Based upon market analysis and development experience, there is insufficient demand to support the designated retail space in Carlyle Plaza One on an economically sustainable, market-driven basis. From a public policy standpoint, it would be preferable to forego the addition of designated retail space and consider the tenants of the office towers an additional source of market support for the struggling uses along John Carlyle Street to the north than to further dilute spending power and knowingly create retail space that is likely to perform at a sub-average level.

With a single food service operation occupying 1,500 SF to 3,000 SF, the balance of the space would be earmarked for other non-traditional active uses including:

- Day spa/skin care center/men's spa and salon
- Health club/fitness center/wellness center
- Medical/dental offices
- Investment advisor/stock brokerage
- Automobile club (AAA) member center/travel agency
- Day care center and nursery
- Montessori school or similar
- Language school
- Membership business club

<u>CONCLUSIONS AND RECOMMENDATIONS:</u>

Carlyle Plaza South has little potential as a site for any "convenience goods" or "comparison goods" retailing due to inadequate demand generated by nearby residents and workers. While it may be possible to locate a small food/beverage tenant in the lobby initially to facilitate leasing and ultimately as a tenant amenity, we can envision no combination of market-driven food service uses for this site that would absorb all of the ground floor space as currently designed. Most retail or restaurant uses that can be proposed for this location would have a greater chance of succeeding as part of the "town center" element of Eisenhower East.

The Carlyle Plaza One site is off the beaten path even for "destination" retailers. Similarly, food services located at Carlyle Plaza South face the obstacles of being too far from the employment core of Eisenhower East and being "buried" within Eisenhower East in the eyes of residents and others from beyond Eisenhower East. This is not a substitute location for Old Town given the distance separating these two neighborhoods.

We recommend limiting "retail" inside Carlyle Plaza One to a "lobby shop" offering sundries to tenants of the building.

There should be no attempt to extend mercantile activity along John Carlyle Street to the south side of Eisenhower Avenue. Every effort should be made to establish John Carlyle Street as a primary pedestrian path as a means of funneling office workers and residents in South Carlyle to the fledgling commercial blocks on John Carlyle Street on the north side of Eisenhower Avenue.

Conventional demand analysis does not predict unprecedented results such as restaurants that thrive in out-of-the way locations or businesses that accept subsidies or inducements in exchange for special circumstance locations. Attempting to secure a large restaurant as a destination tenant is risky strategy that should be undertaken with caution.

The analysis of internally-generated demand demonstrates that Eisenhower East must tap into externally-generated demand to support existing and planned retail space. This portion of the analysis establishes expectations for retail development options based upon a current perspective of the competitive market and the probable trade area that may be served by Eisenhower East.

In 2002, a perspective of a potential regional trade area was established for Eisenhower East by Whitney & Whitney, Inc. The trade area was used as the basis for calculating the "theoretical" amount of supportable retail square footage within Eisenhower East and within the "town center" element of Eisenhower East. When this analysis was performed, the shopping center industry was enamored of "retail/entertainment centers" and "lifestyle centers" as emerging new formats. The Spectrum in Irvine, CA, and Bethesda Row were cited as models for Eisenhower East's retail niche.

Eisenhower East's 2002 retail trade area was based upon strong early performance of the AMC Theaters at Hoffman Center and the prevailing sentiment that the uniqueness of "retail/entertainment centers" enabled them to draw from disproportionately broad areas. Operating experience has subsequently shown that the performance of "retail/entertainment centers" and "lifestyle centers" is subject to local competitive factors. As a category, "retail/entertainment centers" have demonstrated less geographic drawing power than originally assumed. With the benefit of this insight, a more realistic trade area for Eisenhower East has been created for this analysis.

"Retail/entertainment centers" must compete with shopping centers and organically-evolved nodes offering similar content. "Lifestyle centers" are now seen as a very fragile form of retail development that is dependent upon a rare set of market opportunities where consumer demand is sufficiently robust to support specialty retailers without department store anchors. Because of significant market changes, the 2009 perspective of Eisenhower East's trade area covers a substantially smaller geographic area than the 2002 trade area proposed in the Whitney & Whitney, Inc. analysis. (See Appendix for 2002 PMA map.) The 2009 trade area reflects the impact of nine formidable retail projects that form a competitive ring around Eisenhower East as well as other factors that limit Eisenhower East's probable drawing power.

- The Primary Market Area (PMA) of the 2002 trade area has been truncated on its southern and eastern sides by new developments:
    - The opening of a multiplex theater at Kingstowne Towne Center has constrained the drawing power of Eisenhower East's AMC theater. New "box retailers" at Kingstowne Towne Center have altered shopping patterns to the south of Alexandria.

- National Harbor has brought dining and specialty retailing to under-served Prince George's County—just across the Potomac River from Alexandria.

- Market shifts have intensified retail and entertainment competition in the area designated in 2002 as Eisenhower East's Secondary Market Area (SMA):

  - Downtown Washington, DC has emerged as a powerful destination for dining and entertainment. In particular, Seventh Street has become a popular dining and entertainment district with many bars, clubs, and restaurants near the Verizon Center. Downtown is accessible by car as well as Metro; its regional appeal as a dining and entertainment destination has grown even though its retail drawing power remains limited.

  - A massive expansion at Tysons Corner Center in 2005 added new retailers, restaurants, and a 16-screen multiplex theater to an already formidable shopping destination. Tysons Corner Center currently encompasses 2.2 million square feet and is the 11th largest shopping mall in the nation. Many of Tysons Corner Center's tenants have their sole Washington, DC or Northern Virginia stores at Tysons Corner Center, and the line-up of "flagship" department store anchors (Bloomingdale's, Nordstrom, Lord & Taylor, and Macy's) is unduplicated in the region. For these reasons, Tysons Corner Center is the dominant retail center in the Washington, DC region and is among the dozen highest-volume regional malls in the United States. A planned expansion will reinforce this center's extended drawing power.

  - The on-going expansion of the retail and restaurant mix at Potomac Mills in Dale City/Woodbridge has created one of the largest concentrations of shopping, dining, and entertainment on the East Coast. This "critical mass" draws daytrips by residents of Northern Virginia.

  - TODs described in this report—including The Market Common at Clarendon, Pentagon Row, Pentagon Centre, Bethesda Row—opened in 1999-2000 and as they have matured, they have strengthened their offerings of retailers and dining/entertainment uses since 2002. Each of these retail/dining clusters keeps nearby residents from needing or wanting to travel across the region for routine dining and entertainment.

  - Reston Town Center has continued to add "lifestyle" retailers and restaurants in its Main Street format. Reston Town Center's offering makes it unlikely that residents of Western Fairfax County have any need or inclination to travel to Eisenhower East for shopping, dining, or entertainment.

Landmark Mall, Springfield Mall, and Potomac Yards are evolving projects with superior retail sites to Eisenhower East in terms of defensible trade areas, more appropriate distance from competition, and better Interstate highway access and visibility. Trade areas that can be served from these sites have superior population densities and demographics over any realistic trade area that can be envisioned for Eisenhower East. Future plans for redevelopment of Landmark Mall and a significant expansion of Potomac Yards present formidable competition for residents' retail, dining, and entertainment expenditures. So, too, do plans to redevelop Springfield Mall into a mixed-use "town center" format.

Eisenhower East's probable draw area is constrained in all directions by existing and expanding retail nodes. Ultimately, these market dynamics have greater impact on the retail development capacity at Eisenhower East than transit accessibility or the daytime population of office workers. **The Regional Residential Trade Area**

Of particular significance, the Study Area is surrounded by nine major retail centers and nodes that limit its trade area draw and competitive retail niche:

1) Within the immediate vicinity, the King Street retail corridor of Old Town stretches for about 15 blocks from Union Street and the riverfront on the east to the King Street Metrorail Station on the west. It houses over 200 establishments with an emphasis on food and drink, apparel and accessories, home goods, antiques and specialty retail items. Ranking among the top specialty retail districts in the region, the majority of the businesses there are independently owned and operated.

2) About 2.5 miles to the north, Potomac Yard Center is a 600,000 SF open-air center anchored by Target, Regal Theaters, Barnes & Noble, Best Buy, Sports Authority, T.J. Maxx, Staples and Shoppers' Food Warehouse. A planned redevelopment of the site would double the size of the center to 1.2 million SF.

3) A little farther to the northwest and four miles from the Study Area, the Fashion Centre at Pentagon City is an 800,000 SF enclosed regional mall anchored by Nordstrom and Macy's. It is the hub of a larger retail concentration that includes several big box stores, restaurants and specialty retailers.

4) Four miles to the northwest of the Study Area just off I-395, the Village at Shirlington is a 214,000 SF "Main Street"-type center with a dozen restaurants, Signature Theater, AMC Loews theater and Harris-Teeter supermarket.

5) Four miles due west of the Study Area on Duke Street at I-395, Landmark Mall is a dated 880,000 SF enclosed mall anchored by Macy's and Sears. (The Lord & Taylor store at the mall closed in July.) Under a redevelopment plan, the center would be de-malled and reconfigured as an open-air Main Street-type project with residential units in towers above the center.

6) About 6.5 miles to the southwest, Springfield Mall is another dated enclosed regional mall anchored by Macy's, JC Penney and Target. With 1.4 million SF of leasable retail area at present, it is also slated for a massive redevelopment.

7) About 4.5 miles to the southwest, Kingstowne Town Center and neighboring Kingstowne Shopping Center are open-air centers totaling just over 600,00 SF. They are anchored by Walmart, Regal Theaters, Safeway, Ross Dress for Less, TJ Maxx and Home Goods.

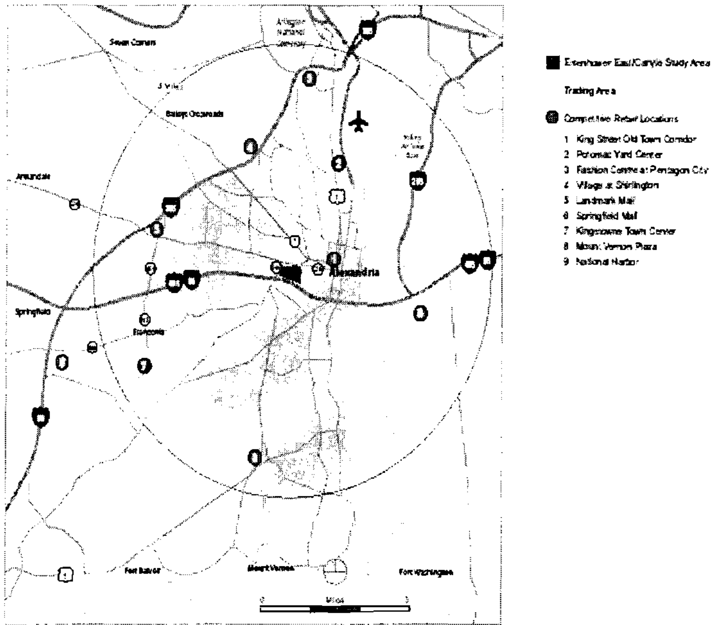
8) Four miles south of the Study Area on U.S. Highway 1, Mount Vernon Plaza is another large open-air center anchored by Home Depot, Bed Bath & Beyond, Michaels, PetSmart, Staples and Shoppers' Food Warehouse. Other major retailers in the U.S. 1 corridor between that center and the Study Area include Target, Giant, Lowe's, Marshall's, Office Depot, and Safeway.

9) About four miles east of the Study Area in Maryland, National Harbor is a massive mixed use project on the riverfront with about 20 retail stores and 10 restaurants open at present.

These nine competitive retail nodes have a wide variety of offerings: the long-standing dining and specialty retail offering of King Street in Old Town and the fledgling National Harbor in Maryland; the food service and entertainment offering of the Village at Shirlington; traditional department store-anchored fashion retailing at the upscale Fashion Centre at Pentagon City and more moderate-priced offerings at Landmark Mall and Springfield Mall; the modern-day big box retail stores at Potomac Yard, Kingstowne and Mount Vernon Plaza.

These competitive retail nodes – and planned changes – limit the trade area draw for facilities within the Study Area. Essentially, the trade area extends to Braddock Road on the north, I-395 to the west, Huntley Meadows Park to the southwest and Collingwood Road to the south.

At present, the population of this trade area numbers just over 124,000 and the number of households is just over 50,000. Average household income is at an affluent level and in line with on-site Study Area residents: $125,800. With a largely stable population base, modest gains are expected to add just over 2,500 residents by 2030. Trade area residents' spending potentials are quantified in Table 20 for 2009, 2015, and 2030.



The Eisenhower East/Carlyle Trading Area and Competitive Retail Structure

(Table 17.)

EXPENDITURE POTENTIAL IN THE BROADER TRADING AREA—2009 to 2030 (Expenditure Potentials in Millions of Constant 2009 Dollar Values)	2009	2015	2030
Population	124,246	124,676	126,913
Households	52,204	52,829	54,704
Potential for Food Away from Home	$308.6	$312.3	$323.4
Potential for Convenience Retail	$636.9	$644.5	$667.4
Potential for Personal Services	$52.5	$53.2	$55.0
Potential for Shoppers Goods	$787.9	$797.3	$825.6

Source: H. Blount Hunter Retail & Real Estate Research Co. And Chapman Consulting

Even with less geographic coverage, the importance of this trade area to the retail, food service and entertainment facilities within the Study Area is clearly evident. In 2009, the expenditure potential for food away from home exceeds $300 million, more than 20 times the potential among Study Area residents and 10 times the potential among Study Area office workers. In the shoppers' goods category, the ratios are somewhat different but equally important: In the trade area, the expenditure potential for shoppers' goods merchandise is approximately $637 million, again about 20 times the potential among Study Area residents but 65 times the potential among Study Area office workers.

Utilization Rate Models have been used to demonstrate theoretical levels of "supportable space" in light of the sizes of consumer segments available to Eisenhower East. This modeling tests the capacity of customer segments to support space assuming reasonable use and spending patterns.

The sales volumes and "supportable square foot" estimates generated by the Utilization Rate Models are conceptual and are not to be interpreted as assessments of feasibility; no probability of successful implementation has been assigned to either outcome. In fact, the consultants believe that it will be very difficult to secure one or more retail anchors necessary to create a community-focused retail center at the "town center" site. Nevertheless, these projections remain valuable because they suggest that available customer segments have the capacity—under certain circumstances—to support the amount of retail space allotted to the Hoffman Subarea.

Two development scenarios were evaluated for the "town center" element of Eisenhower East. Both are based upon the 2009 definition of Eisenhower East's trade area and current levels of employment and hotel guests within Eisenhower East. The type of anchor selected will determine the amount and type of external demand will be attracted to this site.

- Scenario 1: Community-Focused Retail Center
- Scenario 2: Neighborhood-Focused Center

The highly competitive mall and shopping center environment prevents "town center" from becoming a regional destination for shopping; so, too, does the placement of competing movie theaters. Eisenhower East's "town center" will operate at a sub-regional level.

The 2002 retail analysis prepared by Whitney & Whitney, Inc. for the City of Alexandria Department of Planning & Zoning concluded that a retail/entertainment project of 242,000 to 408,000 square feet would be supportable at Eisenhower East in 2007.[6] The smaller sized project was identified as the "baseline scenario" while the larger sized project was described as the "optimistic scenario." The analysis likened the potential development at Eisenhower East to The Spectrum in Irvine, CA and development then underway in central Bethesda, MD.

The "capture rates" applied in 2002 were typical of "lifestyle centers" but the trade area was too large. As a result, the previous analysis generated an overly ambitious amount of "supportable square footage" at "town center."

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Utilization Rate Models were prepared to test theoretical amounts of supportable square footage in "town center" based upon four variations of market penetration and frequency of use. The minimum level of acceptable sales productivity was set at $350 per square foot. Models were prepared for 2009,

[6] Analysis of Market Potential for Office and Retail Space Eisenhower East Corridor, Whitney & Whitney, Inc, December, 2002

2015, and 2030 using constant dollars to isolate the impact of changes in size of key customer segments.

Scenario 1: Community Retail Center

In this scenario, "town center" would be designed, scaled, and leased to function as a community shopping destination. Community centers range in size from 110,000 to 375,000 SF with a median of 173,000 SF. Community centers serve larger trade areas than neighborhood shopping centers, so there is consumer support for a broader assortment of merchandise categories than in neighborhood centers. "Convenience goods" retailers and services are the predominant tenant type.

(Table 18.)

MOST FREQUENT MERCHANDISE CATEGORIES IN COMMUNITY RETAIL CENTERS

	TYPICAL SF	MEDIAN SALES PSF
Discount department store	75,000-100,000 SF	$240
Family apparel store	35,000-50,000 SF	$250
Furniture/furnishings	15,000-25,000 SF	$125
Home improvements	100,000-125,000 SF	
Pet supplies	20,000-25,000 SF	$230
Office supplies	20,000-25,000 SF	$220
Supermarket	25,000-60,000 SF	$485
Dollar store	6,000-8,000 SF	$140
Full-service restaurant	2,400-4,000 SF	$250
Sandwich shop	1,500-2,000 SF	$325
Pizza parlor	1,200-2,000 SF	$300
Chinese restaurant	1,500-2,000 SF	$220
Mexican restaurant	1,500-2,000 SF	$375
Liquor/wine shop	2,500-3,500 SF	$350
Pharmacy	10,000-12,000 SF	$430
Cell phone store	1,000-1,500 SF	$220
Unisex hair salon	1,500-2,000 SF	$180
Dry cleaner	1,000-1,500 SF	$150
Women's apparel	2,000-4,000 SF	$220
Family shoes	2,500-3,000 SF	$190
Beauty supplies	3,000-4,000 SF	$215
Electronics	2,000-3,000 SF	$300
Nail salon	2,500-3,000 SF	
Bank/medical offices	1,000-1,500 SF	

Source: Dollars & Cents of Shopping Centers/The Score 2008, Urban Land Institute and ICSC; H. Blount Hunter Retail & Real Estate Research Co.

- Several types of "comparison goods" retailers (shoes, apparel, and electronics) are among the most frequent uses in community shopping centers. "Comparison goods" retailers tend to be few in number compared to "convenience goods" retailers and services.

In 2009, "town center" could theoretically support 114,200 to 220,000 SF of space (excluding a supermarket) at sales of $350 PSF. Sales volumes range from $39.9 million to $76.9 million depending upon the frequency of use by residents of the center's residential trade area and frequency of use by workers within Eisenhower East. Achieving sales at the high end of the range of projections requires "town center" to attract 50 percent of the adults within its trade area twice per month. These residential trade area performance metrics (market penetration, frequency of use, and average expenditure) would equate to the performance of a strong community center. Town Center would need to draw 1.8 million annual visits by Eisenhower East's office workers or the equivalent of one visit per week by every office worker. Average spending per visit by office workers would need to reach $15.00—higher than the average for meal-only visits for lunch.

In constant 2009 dollars, "town center" could theoretically achieve sales ranging from $43.4 million to $82.7 million in 2015. No inflation has been incorporated in average spending nor have any changes been made to the assumed annual penetration levels or visit frequencies or to the boundaries of the residential trade area. Sales growth from 2009 to 2015 reflects only the increase in the adult population of the residential trade area and new office workers anticipated within Eisenhower East. By 2015, "town center" could theoretically support 124,000 to 236,000 SF of space at $350 PSF.

In constant 2009 dollars, "town center" could theoretically achieve sales of $52.3 million to $100.3 million by 2030. The growth of projected sales reflects only the increase in adult trade area residents, new office workers, and the addition of hotel guests using a 300-room hotel assumed to be developed within Eisenhower East between 2015 and 2030. By 2030, "town center" could theoretically support 150,000 to 287,000 SF of space at $350 per square foot.

As of 2009, "town center" has 58,500 square feet of "retail" space occupied by restaurants, and a movie theater of 136,000 square feet.

The projected range of "supportable" space in 2009 is 55,700 to 161,500 SF of new retail space in 2009. The amount of "supportable" space increases to 91,500 to 228,500 SF in 2030 based upon growth within Eisenhower East and within the trade area.

- 2009: 114,200-220,000 SF=55,700-161,500 SF new GLA
- 2015: 124,000-236,000 SF=65,500-177,500 SF new GLA
- 2030: 150,000-287,000 SF=91,500-228,500 SF new GLA

(Table 19.)

EISENHOWER EAST "TOWN CENTER" (No Supermarket) SUPPORTABLE SQUARE FOOTAGE at $350 PSF PRODUCTIVITY			
(CURRENT 2009 DOLLARS)			
	2009	2015	2030
TARGETED SALES VOLUME	**$58,448,000**	**$63,160,400**	**$76,345,250**
SUPPORTABLE SF @ $350 PSF	**166,994**	**180,458**	**218,129**
PRODUCTIVITY @ 200,000 SF	$292	$316	$382
PRODUCTIVITY @ 300,000 SF	$195	$211	$254
PRODUCTIVITY @ 400,000 SF	$146	$158	$191
AGGRESSIVE SCENARIO	**$76,914,500**	**$82,746,700**	**$100,347,500**
SUPPORTABLE SF @ $350 PSF	**219,756**	**236,419**	**286,707**
PRODUCTIVITY @ 200,000 SF	$385	$414	$502
PRODUCTIVITY @ 300,000 SF	$256	$276	$334
PRODUCTIVITY @ 400,000 SF	$192	$207	$251
CONSERVATIVE SCENARIO	**$39,981,500**	**$43,412,200**	**$52,349,000**
SUPPORTABLE SF @ $350 PSF	**114,233**	**124,035**	**149,569**
PRODUCTIVITY @ 200,000 SF	$200	$217	$262
PRODUCTIVITY @ 300,000 SF	$133	$145	$174
PRODUCTIVITY @ 400,000 SF	$100	$109	$131

All projections of net new amounts of "supportable space" at "town center" are at the lower end of the range projected in the 2002 analysis. These scenarios support the approved addition of 178,000 SF as incorporated in the 2006 Small Area Plan for Eisenhower East.

To serve a community-scale trade area, "town center" must have one or more large-format retail anchors selling "comparison goods." Stated alternatively, "town center" must have a retail reason for being to tap into the spending potential within a community trade area. Pre-leasing efforts will serve as a test of the retail industry's response to "town center" as a site.

The projected sales volumes and theoretical supportable space ranges generated in the Utilization Rate Models would apply to the development of an appropriately configured retail mix at "town center" targeting a community trade area.

- By 2015, "town center" could support up to 236,000 SF assuming one or more "comparison goods" anchors. Restaurants could account for as much as 30 percent of GLA. No supermarket is assumed to be part of this development scenario.

- "Town center" could expand by approximately 51,000 to 287,000 SF by 2030 largely based upon increased spending associated with new office workers within Eisenhower East.

Realistically, the number of retail anchor candidates for the "town center" site is very limited. While establishing a community-focused shopping center is possible at a conceptual level, execution hinges on securing one or more "comparison retail goods" anchors. The current plan advanced by Hoffman does not include retail anchors that would establish "town center" as a community-focused shopping destination.

APPENDIX

The development potential for "town center" reflects key market realities.

- This is not a viable site for a traditional department store such as Macy's or mass merchandise stores such as JCPenney or Sears.

- This site is not appropriate for a discount store such as Walmart nor would it meet the site criteria for Kohl's.

- Under certain circumstances, Target might be a prospective anchor candidate. There may be an opportunity to secure Target despite the close proximity of the existing Target store at 6600 Richmond Highway. Target is back-filling key markets with stores serving trade areas of 100,000 people, and "town center's" probable trade area surpasses this population threshold without significantly overlapping the 100,000-person radii surrounding existing Target stores at Potomac Yard and on Richmond Highway. If Target becomes part of retail mix in the redevelopment of Landmark Mall it will cease to be an anchor candidate for Eisenhower East. If Target does not become part of the redevelopment of Landmark Mall, the retailer's two-level prototype could fit on Blocks 9A and 9B or 11 and 12 although structured parking would be necessary. Target would have strong leasing "coattails" among casual restaurants, and smaller specialty shops.

Without Target, a combination of "box stores" could establish a community trade area extending 3-5 miles. One or more anchors offering apparel would provide a better basis than hard goods retailers for leasing small shop space to apparel retailers. As of 2009, some "box stores" have locations at Kingstowne Towne Center while others operate at Potomac Yard or will be present in its expansion. Eisenhower East is located midway between these competing centers. In addition, some of these retailers have locations on Richmond Highway south of the Beltway. The likelihood of securing "box stores" at Eisenhower East improves if "box stores" are not included in the redevelopment of Landmark Mall.

Today's list of prospects will undoubtedly change as new merchants emerge in key "comparison" retail merchandise categories.

Some of the following retailers have existing locations in strip centers or freestanding buildings or near "town center's" probable trade area. Some of these retailers may consider relocating to "town center" if it appears that a "critical mass" of "comparison goods" retailing can be created there

- Family Apparel:
    - Marshall's
    - TJ Maxx
    - Steinmart
    - Ross
    - Nordstrom Rack
    - Filene's Basement
    - Old Navy
- Shoes:
    - DSW
    - Shoe Pavilion
- Books:
    - Barnes & Noble
    - Borders Books
- Sporting Goods:
    - Sports Authority
    - Dick's Sporting Goods
    - Modell's
    - City Sports
    - REI
    - Gander Mountain
- Office Supplies:
    - Office Max
    - Office Depot
    - Staples
    - AJ Stationers
- Home Furnishings:
    - World Market
    - Bed Bath & Beyond
    - Home Goods
    - Pier 1
- Appliances/Electronics:
    - Best Buy
    - HH Gregg
    - Bray and Scarff
- Pet Supplies:
    - Petco
    - PetSmart

UTILIZATION RATE MODELS--2009

The Utilization Rate Model is a proprietary tool used by H. Blount Hunter Retail & Real Estate Research Co. to estimate sales capacity in mixed-use districts based upon the size of key consumer segments (adult population of the designated residential trade area including Eisenhower East residents, office workers, hotel guests) and trip counts reflecting a range of frequencies from "low" to "high.". Expenditure factors for each customer segment are analogs from analog developments.

The Utilization Rate model is useful as a tool for assessing the "supportable square footage." The results are "theoretical" because key tenants are unknown. Assumptions can also be made regarding changes to key inputs including:

- growth in size of individual customer segments
- changes in annual trip count by members of individual customer segments
- increases in level of expenditure to reflect shifts in merchandising toward greater retail intensity

The 2009 Utilization Rate Model incorporates actual customer segment sizes, a range of local resident usage patterns, and estimates of spending designed to create a range of estimates of "supportable square feet" within "town center."

✓ Consumer survey data compiled by the International Council of Shopping Centers (ICSC) is the most authoritative source for quantifying the "spending capacity" of Center City's office work force. Updated in 2003, the survey indicates that the average office worker spends $2,350 annually during and after the workday. Of this total, the typical worker spends $900 per year on "shoppers' goods" and convenience retail items in Downtowns with limited retail facilities and another $1,450 per year on food and drink during the lunch hour and after work.

Inputs to the 2009 "spending capacity" model include:

- Size of each customer segment
- Estimated expenditure per visit by trade area residents, office workers, and hotel guests and visitors
  - $40.00 average expenditure by local residents is consistent with analog experience in community centers
  - $15.00 average expenditure by office workers was based upon office worker spending data from ICSC
  - $25.00 average expenditure by hotel guests based on analog experience

- Frequency of visit and estimated penetration of each customer segment:

- i.e. 6.0 annual utilization rate by local residents is the equivalent of 50 percent market penetration and 12 visits per year
- i.e. 12.0 annual utilization rate by local residents is the equivalent of 50 percent market penetration and 24 trips per year
- officers workers are present for an average of 235 days per year (the number of work days per year minus vacation days and federal holidays); 100 percent penetration with 12 annual visits is the equivalent of one trip per month by all office workers
- 50 percent market penetration of visitor segment is consistent with analog experience and reflects the proximity of hotels to "town center"

Four Utilization Rate Models reflecting different usage scenarios were generated for 2009, 2015, and 2030. Each scenario reflects different assumptions about market penetration or frequency of use by key customer segments. Outputs from the 2009 "spending capacity" model include:

- Annual sales volumes generated by local residents, office workers, and hotel guests
- Annual trip counts for local residents, office workers, and hotel guests; total annual visits to "town center"
- Share of total sales generated per customer segment

Table 24 presents the range of "supportable square feet" for "town center" assuming sales productivity of $350 PSF in constant 2009 dollars. ($350 PSF productivity is thought to be the minimum acceptable productivity to support rents associated with new construction.) The "aggressive" scenario reflects high market penetration and high frequency of use by local residents and/or office workers while the "conservative" scenario reflects low market penetration and low frequency of use by trade area residents and/or office workers. The "targeted" level of "supportable square footage" reflects an average of the "aggressive" and "conservative" scenarios.

(Table 20.)

EISENHOWER EAST "TOWN CENTER" (NO SUPERMARKET) SUPPORTABLE SQUARE FOOTAGE AT $350 PSF PRODUCTIVITY (CURRENT 2009 DOLLARS)	2009	2015	2030
TARGETED SALES VOLUME	**$58,448,000**	**$63,160,400**	**$76,345,250**
SUPPORTABLE SF @ $350 PSF	**166,994**	**180,458**	**218,129**
PRODUCTIVITY @ 200,000 SF	$292	$316	$382
PRODUCTIVITY @ 300,000 SF	$195	$211	$254
PRODUCTIVITY @ 400,000 SF	$146	$158	$191
AGGRESSIVE SCENARIO	**$76,914,500**	**$82,746,700**	**$100,347,500**
SUPPORTABLE SF @ $350 PSF	**219,756**	**236,419**	**286,707**
PRODUCTIVITY @ 200,000 SF	$385	$414	$502
PRODUCTIVITY @ 300,000 SF	$256	$276	$334
PRODUCTIVITY @ 400,000 SF	$192	$207	$251
CONSERVATIVE SCENARIO	**$39,981,500**	**$43,412,200**	**$52,349,000**
SUPPORTABLE SF @ $350 PSF	**114,233**	**124,035**	**149,569**
PRODUCTIVITY @ 200,000 SF	$200	$217	$262
PRODUCTIVITY @ 300,000 SF	$133	$145	$174
PRODUCTIVITY @ 400,000 SF	$100	$109	$131

(Table21.)

EISENHOWER EAST TOWN CENTER
UTILIZATION RATE MODEL 2009

SCENARIO 1A: 200,000-400,000 SF RETAIL/ENTERTAINMENT PROJECT (No supermarket; low frequency of use by residents and workers)

CUSTOMER SEGMENT	SEGMENT SIZE	ANNUAL PENETRATION	ANNUAL FREQUENCY	ANNUAL UTILIZATION RATE	IMPLIED ANNUAL TRIPS	AVERAGE SPENDING PER VISIT	ANNUAL SALES PER SEGMENT	PCT. SALES
LOCAL RESIDENTS (AGES 18-65) (50 percent penetration; 12 annual visits)	92,960	50%	12	6.00	557,760	$40.00	$22,310,400	56%
OFFICE WORKERS (100 percent penetration; 2 visits per month)	20,100	100%	24	24.00	482,400	$15.00	$7,236,000	18%
HOTEL GUESTS	243,880	50%	1	0.50	121,940	$25.00	$3,048,500	8%
SALES INFLOW (25 PERCENT)							$7,386,600	18%
TOTAL SALES VOLUME:	**$39,981,500**						**$39,981,500**	100%
SALES PRODUCTIVITY:								
200,000 SF	**$200**							
400,000 SF	**$100**							
SUPPORTABLE SF @ $350 PSF:	**114,233**							

Scenario 2009 1A:

This "conservative" scenario projects sales of $39.98 million in 2009 with local trade area residents generating 56 percent of total sales. "Town center" could support 114,233 SF at sales productivity of $350 PSF. Office workers are expected to generate $7.2 million in sales representing 18 percent of total volume. "Town center" would be heavily dependent upon externally-generated sales to achieve this level of sales.

- 50 percent penetration of local trade area households with low visit frequency averaging 6 times per year
- $40 average expenditure per visit by local residents; $15 expenditure per visit by office workers; $25 expenditure per visit by hotel guests
- Low frequency of visits by office workers averaging twice per month (24 times per year)
- 50 percent penetration of hotel guest segment
- No grocery store

(Table 22.)

EISENHOWER EAST TOWN CENTER
UTILIZATION RATE MODEL 2009

SCENARIO 1B: 200,000-400,000 SF RETAIL/ENTERTAINMENT PROJECT (No supermarket; low resident frequency; high worker frequency)

CUSTOMER SEGMENT	SEGMENT SIZE	ANNUAL PENETRATION	ANNUAL FREQUENCY	ANNUAL UTILIZATION RATE	IMPLIED ANNUAL TRIPS	AVERAGE SPENDING PER VISIT	ANNUAL SALES PER SEGMENT	PCT. SALES
LOCAL RESIDENTS (AGES 18-65) (50 percent penetration; 12 annual visits)	92,960	50%	12	6.00	557,760	$40.00	$22,310,400	46%
OFFICE WORKERS (100 percent penetration; 4 visits per month)	20,100	100%	48	48.00	964,800	$15.00	$14,472,000	30%
HOTEL GUESTS	243,880	50%	1	0.50	121,940	$25.00	$3,048,500	6%
SALES INFLOW (25 PERCENT)							$9,195,600	19%
TOTAL SALES VOLUME:	**$49,026,500**						**$49,026,500**	100%
SALES PRODUCTIVITY:								
200,000 SF	**$245**							
400,000 SF	**$123**							
SUPPORTABLE SF @ $350 PSF:	**140,076**							

Scenario 2009 1B:

- This moderately "conservative" scenario projects sales of $49.03 million in 2009 with local trade area residents generating 46 percent of sales. "Town center" could support 140,076 SF at sales productivity of $350 PSF. Office workers are expected to generate $14.5 million in sales or 30 percent of total volume. "Town center" would still be heavily dependent upon externally-generated sales.

- 50 percent penetration of local trade area households with low visit frequency averaging 12 times per year
- $40 average expenditure per visit by local residents; $15 expenditure per visit by office workers; $25 expenditure per visit by hotel guests
- High frequency of visits by office workers averaging once per week (48 times per year)
- 50 percent penetration of hotel guest segment
- No grocery store

(Table 23.)

EISENHOWER EAST TOWN CENTER
UTILIZATION RATE MODEL 2009

SCENARIO 1C: 200,000-400,000 SF RETAIL/ENTERTAINMENT PROJECT (No supermarket; high resident frequency; low worker frequency)

CUSTOMER SEGMENT	SEGMENT SIZE	ANNUAL PENETRATION	ANNUAL FREQUENCY	ANNUAL UTILIZATION RATE	IMPLIED ANNUAL TRIPS	AVERAGE SPENDING PER VISIT	ANNUAL SALES PER SEGMENT	PCT. SALES
LOCAL RESIDENTS (AGES 18-65) (50 percent penetration; 24 annual visits)	92,960	50%	24	12.00	1,115,520	$40.00	$44,620,800	66%
OFFICE WORKERS (100 percent penetration; 2 visits per month)	20,100	100%	24	24.00	482,400	$15.00	$7,236,000	11%
HOTEL GUESTS	243,880	50%	1	0.50	121,940	$25.00	$3,048,500	4%
SALES INFLOW (25 PERCENT)							$12,964,200	19%
TOTAL SALES VOLUME:	**$67,869,500**						**$67,869,500**	100%
SALES PRODUCTIVITY:								
200,000 SF	**$339**							
400,000 SF	**$170**							
SUPPORTABLE SF @ $350 PSF:	**193,913**							

Scenario 2009 1C:

This moderately "conservative" scenario projects sales of $67.87 million in 2009 with local trade area residents generating 66 percent of sales. At this level of sales, "town center" could support 193,193 SF at sales productivity of $350 PSF. Office workers are expected to generate $7.2 million in sales or 11 percent of total volume. "Town center" would be heavily dependent upon externally-generated sales to achieve this level of sales volume.

- No grocery store
- 50 percent penetration of local trade area households with high visit frequency averaging 24 times per year
- $40 average expenditure per visit by local residents; $15 expenditure per visit by office workers; $25 expenditure per visit by hotel guests
- Low frequency of visits by office workers averaging twice per month (24 times per year)
- 50 percent penetration of hotel guest segment

(Table 24.)

EISENHOWER EAST TOWN CENTER
UTILIZATION RATE MODEL 2009

SCENARIO 1D: 200,000-400,000 SF RETAIL/ENTERTAINMENT PROJECT (No supermarket; high frequency of use by residents and workers)

CUSTOMER SEGMENT	SEGMENT SIZE	ANNUAL PENETRATION	ANNUAL FREQUENCY	ANNUAL UTILIZATION RATE	IMPLIED ANNUAL TRIPS	AVERAGE SPENDING PER VISIT	ANNUAL SALES PER SEGMENT	PCT. SALES
LOCAL RESIDENTS (AGES 18-65) (50 percent penetration; 24 annual visits)	92,960	50%	24	12.00	1,115,520	$40.00	$44,620,800	58%
OFFICE WORKERS (100 percent penetration; 4 visits per month)	20,100	100%	48	48.00	964,800	$15.00	$14,472,000	19%
HOTEL GUESTS	243,880	50%	1	0.50	121,940	$25.00	$3,048,500	4%
SALES INFLOW (25 PERCENT)							$14,773,200	19%
TOTAL SALES VOLUME:	**$76,914,500**						**$76,914,500**	100%
SALES PRODUCTIVITY:								
200,000 SF	**$385**							
400,000 SF	**$192**							
SUPPORTABLE SF @ $350 PSF:	**219,756**							

Scenario 2009 1D:

This most "aggressive" scenario projects sales of $76.91 million in 2009 with local trade area residents generating 66 percent of sales. "Town center" could support 219,756 SF at sales productivity of $350 PSF. Office workers are expected to generate $14.5 million in sales representing 19 percent of total volume. "Town center" remains heavily dependent upon externally-generated sales to achieve this level of sales volume.

- No grocery store
- 50 percent penetration of local trade area households with high visit frequency averaging 24 times per year
- $40 average expenditure per visit by local residents; $15 expenditure per visit by office workers; $25 expenditure per visit by hotel guests
- High frequency of visits by office workers averaging once per week (48 times per year)
- 50 percent penetration of hotel guest segment

The Utilization Rate Model demonstrates there is sufficient market support in 2009 to sustain 178,000 SF of retail space in the Hoffman Subarea at $350 PSF.

Potential sales ranging from $40 to $77 million are the equivalent of achieving "capture rates" of 1 to 2 percent of GAFO expenditure potential of trade area residents.[7] Strong "lifestyle centers" typically earn "capture rates" of 2 to 5 percent of trade area GAFO potential. While community centers typically earn "capture rates" of 2 percent or less (depending upon size).

Achieving these results requires a properly designed, appropriately leased retail node that succeeds in capturing internally-generated demand while penetrating a residential trade area beyond Eisenhower East. "Town center" would compete with larger projects in more accessible areas; "town center" would always be vulnerable to larger, more complete retail centers in superior retail locations. In particular, the redevelopment of Landmark Mall could have significant competitive impact on the performance of a community center at Eisenhower East.

Scenario 2: Neighborhood Retail Center

Establishing "town center" as a neighborhood shopping center is a realistic strategy that is sustainable based upon current and future market support. A neighborhood center would encompass less space than a community center and would require a smaller base of population for support.

The merchandising plan currently being advanced by Hoffman features a 50,000 square foot Harris Teeter supermarket as the primary retail anchor of the "town center." Any supermarket at "town center" would naturally expect to capture a significant share of grocery spending by residents of Eisenhower East while drawing shoppers' from areas adjacent to Eisenhower East. The extent of a supermarket's drawing power varies according to the placement of other branches of the prospective "town center" supermarket chain and the number, proximity, quality, and strength of competing supermarkets.

In 2009, Eisenhower East has 2,795 residential units. By 2015, Eisenhower East is expected to have approximately 4,500 residential units within its borders. At full build-out in 2030, Eisenhower East is projected to have more than 5,600 residential units.

Traditional supermarkets require 3,000 to 5,000 households to achieve typical sales volumes. Using this rule of thumb, Eisenhower East's internal residential population will reach a threshold level for supporting a supermarket by 2015. At build-out, there will be enough households within Eisenhower East to support a relatively small supermarket.

A business case can be made for a traditional supermarket within Eisenhower East or in the immediate vicinity of Eisenhower East. A traditional supermarket would divert some sales from Whole Foods and other grocery stores, but would

[7] GAFO merchandise includes "comparison retail goods" such as apparel, shoes, home furnishings, sporting goods, books, music, and jewelry and "food away from home."

not threaten the viability of Whole Foods or any single nearby grocery store. Most shoppers' use a specialty grocer such as Whole Foods for a portion of their grocery shopping and therefore would use a traditional supermarket in addition to Whole Foods. Whole Foods derives some of its sales from shoppers' who live outside of Eisenhower East due to Whole Foods' unique appeal and because of the limited number of Whole Food stores in the region; these shoppers' will continue to seek out Whole Foods even in a traditional supermarket opens in Eisenhower East to serve the resident of Eisenhower East and its immediate environs.

The list of potential supermarket tenants is short. Safeway, Giant, and Harris Teeter operate multiple stores in Alexandria. As a result of the existing grocery store alignment, a new store operated by any of these chains at Eisenhower East would have limited drawing power and would establish a modest geographic trade area for "town center." In addition, since food shopping is the most prevalent form of "convenience" shopping, grocery store-anchored shopping centers attract other "convenience goods" retailers and services as co-tenants rather than "comparison goods" retailers. The amount of "comparison goods" retailing that can be achieved at "town center" will be diminished as a consequence of having a grocery store anchor rather than a "comparison" goods retailer.

- Supermarkets are the primary tenants in neighborhood shopping centers. Neighborhood shopping centers have a median size of 63,000 SF including anchor tenant. These centers offer merchandise for daily living needs of nearby residents—typically "convenience goods" including groceries, prescription drugs, over-the-counter health and beauty products, and personal services. Note the absence of stores selling "comparison" goods.

(Table 25.)

MOST FREQUENT MERCHANDISE CATEGORIES IN NEIGHBORHOOD RETAIL CENTERS (Store Size Range and Median Sales Productivity)

Supermarket	25,000-60,000 SF	$473 PSF
Dollar store	6,000-8,000 SF	$104 PSF
Full-service	2,400-4,000 SF	$200 PSF
restaurant	1,500-2,000 SF	$290 PSF
Sandwich shop	1,200-2,000 SF	$200 PSF
Pizza parlor	800-1,200 SF	$400 PSF
Coffee/tea shop	1,500-2,000 SF	$130 PSF
Chinese restaurant	2,500-3,500 SF	
Liquor/wine shop	10,000-12,000 SF	$430 PSF
Pharmacy	1,000-1,500 SF	
Cell phone store	1,200-3,000 SF	$180 PSF
Women's hair salon	1,000-1,500 SF	$150 PSF
Dry cleaner	3,000-4,000 SF	
Video rentals	1,500-2,000 SF	$215 PSF
Mail/packaging store	800-1,200 SF	$100 PSF
Nail salon	2,500-3,000 SF	
Bank branch	1,000-1,500 SF	
Insurance office	2,000-4,000 SF	
Medical/dental office		

SOURCES: Dollars & Cents of Shopping Centers/The Score 2008, Urban Land Institute and ICSC; H. Blount Hunter Retail & Real Estate Research Co.

With a supermarket anchor, "town center" will serve a limited geographic trade area and will be able to support a modest amount of specialty space.

- The recommended total size for "town center" anchored by Harris Teeter is 100,000 SF including the supermarket (assumed to be 50,000 SF). A ratio of 1-to-1 anchor space-to-total GLA is typical of neighborhood centers and reflects the limited number of retailers available as tenants in this category of shopping center.

The current plan for Blocks 8, 9A, 9B, 11, and 12 features 117,000 SF of retail space. The supermarket would equal 50,000 SF with specialty retail space accounting for the remaining 67,000 SF.

- A center of 100,000 SF exceeds the amount of retail space programmed for Blocks 11, and 12 but is less than the amount of space programmed for these blocks.

Block 8:	22,000 SF
Blocks 9A and 9B:	30,000 SF
Blocks 11 and 12:	65,000 SF
Total:	117,000 SF

Harris Teeter:	50,000 SF proposed
Specialty Space:	67,000 SF proposed
Specialty Space:	50,000 SF recommended

- With a supermarket anchor—especially one that is duplicated within several miles of Eisenhower East—"town center" would serve a truncated trade area with greatest appeal to residents of Eisenhower East and residents within a 1-2 mile radius of Eisenhower East. For this reason, a grocery-anchored center would establish a neighborhood-focused trade area.

- A "town center" with neighborhood center merchandising appeal to office workers if it contains a significant offering of food uses that do not replicate the fast food/carryout mix that is readily available at street level through Eisenhower East. Casual sit-down restaurants such as Cosi, Panera Bread, Saladworks, Chili's, and California Pizza Kitchen are examples of reasonably-priced chain restaurants with common denominator appeal to workers, residents, and hotel guests.

- Service establishments and "convenience" retailers may also appeal to workers and residents (from within Eisenhower East and from the local trade area beyond Eisenhower East) attracted by the supermarket. Services with cross-over appeal include video rental, shoe repair, dry cleaning, optical shop, a national chain pharmacy, and florist. Neighborhood "convenience retailers" may include more independent merchants than national chains, but chain merchants such as Radio Shack and Hallmark that operate through franchises may be viable prospects. The most difficult merchandise categories to add to grocery store-anchored neighborhood shopping centers are apparel and shoes.

Attempting to serve a neighborhood trade area with a grocery-anchored "town center" is a reasonable retail strategy and reflects the probable course of in light of existing development plans and the format of retail space in the Hoffman Subarea.

The Washington, DC metro area has numerous examples of transit-oriented development at Metro stations. WMATA has received national attention for its participation in joint development with private sector interests at Metro stations. Arlington County is "arguably the nation's best TOD success story of the past 30 years."[8]

Some planners and transit officials have started using the term "transit adjacent development" (TAD) to describe development activity near transit nodes. Transit adjacent development has an additional mode of access compared to traditional suburban retail centers where virtually all patrons arrive by private automobile. This slight change in nomenclature acknowledges that transit brings incremental impact to the retail components of some developments at transit stations.

The Urban Land Institute's guidelines for development around transit are clear in their caveat about the retail element of TODs:

> *"Although the retail component may be viewed as the generator of excitement for development around transit, it cannot be the justification for the development. The most important considerations for retail development are location, market, and design; proximity to transit is not a prime consideration in most markets. Transit access can strengthen the retail market, but the market must be viable without the transit component. Consequently, it is misguided to believe that just because there is transit, if you build it, they will come"*[9]

Transit stations are permanent elements of infrastructure that establish pedestrian patterns. This permanence lends certainty to the developer about the long-term development opportunity associated with transit stations. A transit station becomes the central point within a "sphere of influence" as demonstrated in Arlington County's planning for Metro-inspired development. The size of a station's "sphere of influence" is determined by the distance between stations. A "sphere of influence" with high population density is likely to support more retail activity adjacent to transit than a lower density "sphere of influence."

Transit-oriented development is site specific; it can't be institutionalized or made formulaic in the same way that the development of shopping malls or strip centers has become routine.[10]

Experience demonstrates that retail is the element of any type of mixed-use development that is least likely to succeed where it lacks strong market support.

[8] Ibid

[9] "Ten Principles for Successful Development Around Transit," Urban Land Institute, 2003

[10] The New Transit Town: Best Practices in Transit-Oriented Development

ARLINGTON COUNTY'S SPECIALIZED TRANSIT STATION FUNCTIONS

Arlington County has earned acclaim for successful development planned in conjunction with transit. Montgomery County, too, has several examples of TOD with retail elements.

Arlington County achieved many of the goals it intended when it petitioned to relocate Metro from its originally-planned route along I-66 to the declining Rosslyn-to-Ballston corridor. The office and residential sectors along this transit corridor have boomed, adding more than 20 million square feet of new office buildings and nearly 25,000 new housing units over a 25-year period; however, the retail sector has lagged despite several new developments and redevelopments, most notably in the failure to create a cohesive shopping environment or strong individual retail nodes with destination drawing power. The levels of residential and employment density that support transit use are not sufficient to support large nodes of "comparison goods" retailing at transit stations.

By design, Arlington County's transit developments serve different functions:

- Rosslyn and Crystal City are business center TODs where the office function predominates. Both were strong office nodes that preexisted the advent of Metro; both have been strengthened by the presence of Metro but neither has gained retail gravity as a result of being served by Metro.
- The Courthouse TOD is a primarily a government center although the nearby residential base supports a small multiplex theater near the Metro station.
- Pentagon City has become a regional shopping destination following the development of The Fashion Centre at Pentagon City atop an existing Metro station.
- Ballston is predominantly an office employment node although it does encompass a large retail component. Metro has not elevated Ballston's retail offering nor has it established regional drawing power for the shopping center at Ballston. The retail center here serves a sub-regional market despite the presence of Macy's due to Ballston's proximity to Tysons Corner Center and Fashion Centre at Pentagon City. Its retail tenants show a large share of "convenience goods" merchants and saturation tenants (i.e. retailers that are widely duplicated in many types of shopping centers).
- Clarendon is an "urban village" with a mix of residential and small-scale office and retail offerings. The Market Common at Clarendon qualifies as a strong example of TOD. It is also the only node of "lifestyle" retail in the extended Rosslyn-to-Ballston corridor.
- Development at Virginia Square centers on cultural and educational uses and features no "retailing" and a very limited offering of food/beverage uses.

At first glance, all TODs along Washington's Metro lines may seem to have substantial "retail" content. A closer look at the area's TODs reveals that each is predominantly oriented to food/beverage and service uses rather than "retail" uses of any kind. Furthermore, the retail composition of these TODs varies widely in orientation to "convenience retail goods" versus "comparison retail goods."

While each TOD has a mix of residential, office, and retail components, the scale of development and the predominant element within the mix of uses vary greatly from station to station depending upon market dynamics. The retail component appears to have the greatest variation in scope (i.e. size) and content (i.e. the balance of "comparison goods," food uses, personal service establishments, and "convenience goods"). Content variations in the retail component reflect individual market strategies for tapping into consumer spending from surrounding residential trade areas in the manner of a traditional shopping center.

"Convenience Retail" versus "Comparison Retail"

Consumer goods are goods that are bought from retail stores for personal, family, or household use. They are grouped into three subcategories on the basis of consumer buying habits: convenience goods, shopping goods, and specialty goods.

Convenience Goods are items that buyers want to buy with the least amount of effort, that is, as conveniently as possible.

Most are nondurable goods of low value that are frequently purchased in small quantities. Some convenience goods are staples while others are impulse items.

Staple convenience goods are basic items that buyers plan to buy before they enter a store, and include milk, bread, and toilet paper. Impulse items are other convenience goods that are purchased without prior planning, such as candy bars, soft drinks, books, and newspapers. Many convenience goods are "non-durable" or intended for immediate and complete use.

Since convenience goods are not actually sought out by consumers, producers attempt to get as wide a distribution as possible through wholesalers. Convenience goods are often places in high traffic settings. Within stores, they are placed at checkout stands and other high-traffic areas.

Comparison Goods (also called "shoppers' goods") are purchased only after the buyer compares the products of more than one store or looks at more than one assortment of goods before making a deliberate buying decision. These goods are usually of higher value than convenience goods, bought infrequently, and are durable. Price, quality, style, and color are typically factors in the buying decision. Apparel, shoes, appliances, computers, lawnmowers, automobiles, bedding, jewelry, sporting goods, furniture, and camping equipment are all examples of shopping goods. Some comparison goods are specialty items that are unique or unusual. Buyers know exactly what they want and are willing go to considerable efforts to obtain it. These goods are usually, but not necessarily, of high value, and they may or may not be durable goods. Items that fall into this category are wedding dresses, antiques, fine jewelry, and golf clubs.

Because customers are going to shop for these goods, a fundamental site selection strategy is for stores to "cluster" in order to establish destination drawing power. This is the fundamental principle behind shopping center development in the U.S. and is best demonstrated by today's department store-anchored malls as dominant channels of apparel merchandising.

While these classifications are based on consumers' buying habits, some items may be convenience goods for one person, shopping goods for another, and specialty goods for a third. For example, for a person who does not want to spend time shopping, buying a pair of shoes might be a convenience purchase. In contrast, another person might buy shoes only after considerable thought and comparison: in this instance, the shoes are a shopping good. Still another individual who perhaps prefers a certain brand or has an unusual size will buy individual shoes only from a specific retail location; for this buyer, the shoes are a specialty good.

"Convenience retailing" is opportunistic and survives largely based upon sheer numbers of people. "Convenience goods" include due of the types of merchandise, purchasing occurs casually and spontaneously in response to an immediate need. "Convenience retailers" therefore respond positively to a site that offers a new stream of patrons (i.e. "traffic") generated by development and where a focal point for exposure is created through new, permanent pedestrian patterns and gathering places. An aggregation of "convenience retailers" within a TOD can succeed if the TOD generates a sufficient number of internal users. In distinct contrast, a cluster of "comparison retailing" can only be assembled when and where retailers perceive sufficient untapped consumer spending potential for their merchandise. "Comparison retailing" depends upon purposeful shopping/buying trips that are likely to be directed where consumers perceive merchandise is available in adequate breadth and depth. The prerequisite to attracting "comparison" shopping trips is consumers' believe they have "seen most or all pertinent options." "Comparison retailing" requires a residential trade area that encompasses enough households to generate spending at predictable levels.

- Demand for "convenience retail" goods (such as fast food, coffee houses, and personal services) is largely internally-generated by office workers and residents from inside the TOD or just beyond its boundaries. The addition of new employees and residents generates predictable incremental demand for "convenience retail" goods and services; the retail component of the TOD can be sized according to the probable increase in consumer demand generated by the TOD itself.

- Demand for "comparison retail" goods (apparel, shoes, jewelry, home furnishings, sporting goods, books/music, and other "mall type merchandise") is typically generated by residents and is based upon predictable spending levels based upon income and other demographic factors. Office workers do not spend significant sums on "comparison goods" even when this type merchandise is readily available in a work setting. Because TODs contain relatively modest numbers of residents, and because spending on "comparison goods" merchandise by office workers and hotel guests is limited, the vast majority of support for "comparison goods" retail must originate beyond the boundaries of the TOD itself.

TODs attempting to become shopping destinations with extensive offerings of "comparison goods" merchandise must be able to capture consumer expenditures from predictable residential trade areas in the same manner as shopping centers serve defined residential trade areas. Establishing a compelling critical mass of "comparison goods" retailers in a TOD is made difficult by the absence of any traditional anchor stores. The competitive retail market within the region must "accommodate" the addition of new "comparison goods" merchandise, and the base of external consumer support must be sufficient to allow for "comparison goods" retailers to succeed within a TOD.

There is considerable variation across the selected TODs from the perspective of merchandising content and share of uses. The only TOD that is predominantly retail is Pentagon City; four of the TOD analogs are either predominantly oriented to food/beverage or have food service as their single largest component. Note that Eisenhower East's current mix of uses has no "comparison" retail and very little "convenience" retail. Also note that Eisenhower East's retail component is heavily oriented to services and entertainment compared to the selected TODs.

The following table highlights the variations across the selected TODs in total retail square footage, presence of department store anchors and movie theaters, and estimated share of sales generated by transit riders (i.e. non-workers who access each TOD via Metro line).

(Table 26.)

	TOTAL SQ. FT.	DEPT. STORE	MOVIE THEATER	PCT. SALES FROM TRANSIT
Pentagon City	1,700,000	Nordstrom, Macy's	No	15 percent
Crystal City	1.036,000	No	No	15 percent
Ballston	970,000	Macy's	Yes	10 percent
Rosslyn	776,000	No	No	10 percent
Clarendon	780,000	No	No	5 percent
Silver Spring	1,000,000	No	No	15 percent
Bethesda	500,000	No	Yes	10 percent
Rockville	250,000	No	Adjacent	10 percent
Eisenhower	***446,000***	***No***	***Yes***	***10 percent***

SOURCE: H. Blount Hunter Retail & Real Estate Research Co.

In the Washington region, Pentagon City, Silver Spring, and Clarendon are the only Metro stations with retail offerings that function as regional shopping destinations; the retail bases in Ballston and Bethesda serve sub-regional trade areas. The TOD adjacent to the Metro station in Rockville is primarily composed of fast food/restaurants and personal services with a limited amount of "comparison goods" merchandise.

(Table 27.)

	PCT. "COMPARISON" RETAIL	**PCT. "CONVENIENCE" RETAIL**	**PCT. FOOD/ BEVERAGE**	**PCT. SERVICES/ ENTERTAINMENT**
Pentagon City	70 percent	10 percent	15 percent	5 percent
Crystal City	5 percent	30 percent	50 percent	15 percent
Ballston	50 percent	15 percent	30 percent	5 percent
Rosslyn	5 percent	30 percent	60 percent	5 percent
Clarendon	50 percent	10 percent	30 percent	10 percent
Silver Spring	50 percent	10 percent	30 percent	10 percent
Bethesda	30 percent	15 percent	45 percent	10 percent
Rockville	5 percent	10 percent	60 percent	25 percent
Eisenhower	***None***	***13 percent***	***27 percent***	***60 percent***

SOURCE: H. Blount Hunter Retail & Real Estate Research Co.

Land availability and zoning regulations determine the overall scale and density of each TOD, but regional market dynamics and site-specific opportunities determine the merchandising direction for the retail element of TODs. TODs are subject to different supply/demand forces for each use element of development. The developer has more control over the ultimate success of the residential and office elements of a TOD than the retail component. Stated alternatively, the retail market will allow or disallow developers' intended retail strategies based upon the existing competitive retail landscape and fundamental economics that guide retailer site selection.

- In general, transit access increases demand for residential units, so most TODs contain this use as part of their mix of uses. The developer has some control over residential demand through pricing strategy and product offering.

- Transit access is typically provided in areas that are already significant employment nodes, so the addition of new office space is typically part of most transit-oriented developments. A significant amount of office pre-leasing generally occurs prior to the commencement of construction, and often office space is built to suit the needs of a known tenant.

The amount and type of retailing with a TOD is largely determined by external market factors that are not easily manipulated by the TOD developer.

TODs as Regional Shopping Destinations

Variations across TODs are evident after establishing the distinctions between "convenience goods" and "comparison goods" retailing. From a retail development perspective, The Fashion Centre at Pentagon City and Downtown Silver Spring have become nodes of "comparison" retailing with regional drawing power. These two TODs have become regional shopping destinations because these sites allowed retailers to fill geographic voids in market coverage. Transit service to these sites added to their appeal but transit did not fundamentally establish these sites as strong retail locations.

Pentagon City
The Pentagon City station has Metro's highest suburban ridership. Three major retail developments with a total of 1.7 million square feet of space have been developed within a short walk of the Pentagon City Metro station. Each retail center has a distinct merchandising concept, and together these three centers have synergy that translates into destination drawing power within a broad geographic trade area:

- The Fashion Centre at Pentagon City
- Pentagon Center
- Pentagon Row

The Fashion Centre at Pentagon City is an enclosed regional fashion mall with 989,000 square feet of gross leasable space. Macy's and Nordstrom are the department store anchors. This four-level center has 170 stores and a large food court. The center offers an assortment of upscale "comparison goods" retailers with a primary focus on apparel and a secondary focus on home fashions.

Pentagon Centre is a 337,400 square foot center anchored by Costco with Marshall's, Borders Books, and Best Buy as key anchors. The center has two major restaurants (Chevy's and California Pizza Kitchen). The "box stores" here are typical of retailers drawn to suburban regional shopping center nodes. These retailers had a rare opportunity to open large format stores in a dense urban setting. "Comparison goods" account for approximately 75 percent of the leasable space; food and "convenience" goods (including grocery items) account for the remaining 25 percent of leasable space.

Pentagon Row is a 296,000 square foot center offering a mix of "comparison" and "convenience" goods, services, and food. The mix is approximately 19 percent "convenience goods" including a pharmacy and grocery store; 46 percent "comparison goods" including several "big box" stores, 17 percent services, and 18 percent food.

- The Fashion Centre at Pentagon City filled a market void to the east of Tysons Corner Centre and inside the District of Columbia. Nordstrom's desire to operate multiple stores in Northern Virginia created the impetus for The Fashion Centre at Pentagon City; once the mall was established, Pentagon Centre and Pentagon Row added "box stores" and non-mall retailers to the node (i.e. Costco, Marshall's, Best Buy, Borders Books, Bed Bath & Beyond, DSW Shoes, and World Market).

- The presence of a station served by Metro's blue and yellow lines was important to the development of The Fashion Centre at Pentagon City; however, the fundamental opportunity to develop the mall stemmed from the void in market coverage created by distance from Tysons Corner Center and Landmark Mall's inability (or failure) to accommodate Nordstrom.

- The Fashion Center at Pentagon City may be considered "transit blessed" rather than transit-driven since Metro riders are estimated to account for less than 15 percent of total center sales. This is a modest level of support in light of the fact that the Pentagon City Metro station—with 10.3 million riders in FY 2008—is the busiest Metro station outside of the District of Columbia. Nearby residents and shoppers' driving cars from their homes within the center's regional trade area account for a majority of sales.

Silver Spring

Silver Spring's Metro station is located in the center of the traditional downtown district. Downtown Silver Spring has more than 7 million square feet of office space and more than 5,200 residential units. There are eight hotels with approximately 1,200 rooms.

Retail has returned to street-level storefronts on Georgia Avenue and Colesville Road and within two large developments:

- City Place
- Downtown Silver Spring

Downtown Silver Spring has more than 130 restaurants and 70 arts and entertainment venues. A new public library is under construction. The Round House Theater is a long-established performing arts venue while the American Film Institute's Silver Theater and Cultural Center has multiple screens and a conference center. the Pyramid Atlantic Art Center plays an active role in the region's visual arts community.

City Place is a four-level, 400,000 square foot interior-focused mall anchored by Marshall's, Burlington Coat Factory, and

Gold's Gym. This shopping and entertainment complex opened in 1992. A multiplex theater on the upper level closed; a new multiplex theater opened in an adjacent development. Food uses account for one-quarter of the tenants and an estimated 10 percent of leasable space; "comparison" goods account for 47 percent of tenants and an estimated 75 percent of space. Services account for one-quarter of tenants and an estimated 10 percent of leasable space; "convenience" retail accounts for 3 percent of tenants and an estimated 5 percent of leasable space.

Downtown Silver Spring, located just across Georgia Avenue from Discovery Communications' headquarters within walking distance of Metro and MARC stations, features an eclectic mix of entertainment, restaurants, retail, offices and a brand new Courtyard by Marriott Hotel. This 440,000 square foot center is anchored by Whole Foods, Borders Books and a multiplex theater and offers numerous chain restaurants and several "comparison goods" retailers including Ann Taylor Loft, DSW, Metamorphosis, Ulta, Gymboree and Pier 1 Imports. "Comparison goods" account for an estimated 40 percent of total leasable space.

- The redevelopment of Downtown Silver Spring was facilitated by the employment base that has been fueled by Metro; however, the amount of retailing and the mix of "comparison goods" reflect the absence of traditional shopping centers in the vicinity of Silver Spring. The inability to secure one or more department store anchors in Silver Spring has impacted the amount of apparel and other "comparison goods" offered there. Upon close examination, it becomes apparent that the mix in Silver Spring includes a large share of restaurant and entertainment uses. The "comparison goods" retailers in Downtown Silver Spring are those that often saturate suburban areas in shopping nodes with and without department stores (i.e. Burlington Coat Factory, Marshall's, New York & Company, Pier 1, Men's Wearhouse, and DSW Shoes).

- The amount of retail space at Silver Spring far exceeds the demand generated by the 8.7 million annual transit riders who use the Silver Spring Metro station. Downtown Silver Spring serves an under-retailed market from Silver Spring and Northern DC to north to Wheaton and east toward University Park. Residents of this extended shopping center-style trade area generate a majority of sales.

Clarendon

Clarendon is Arlington County's traditional downtown commercial district. The node boasts more than 60 restaurants, 3 supermarkets (including Whole Foods) and a cluster of "lifestyle" retailers that give Clarendon extended drawing power as a shopping destination. Retail businesses are greatly outnumbered by food uses and service establishments, but the quality and uniqueness of tenants at the Market Common at Clarendon enables Clarendon to serve as the retail center of the Rosslyn-to-Ballston corridor.

The Market Common at Clarendon is the primary retail component of the Clarendon TOD. Phase 1 opened in 2001 followed by a second, smaller phase. The project has 240,000 square feet of retail space. The retail merchandise mix is notable for having a number of highly selective retailers such as Crate & Barrel, Container Store, Pottery Barn, Apple Computer, and Williams-Sonoma. Each of these retailers perceived an opportunity to augment their market coverage in Northern Virginia by opening a store at Clarendon. The Cheesecake Factory, Orvis, and Ethan Allan opened opposite the Market Common. The center's overall geographic draw is limited by proximity to The Fashion Centre at Pentagon City and Tysons Corner Center. Close proximity to Rosslyn may in part explain the dearth of retailing in that area of Arlington.

The Market Common at Clarendon also features 6 restaurants with Whole Foods and a gourmet wine merchant. A public farmer's market operates at the Metro stop on Wednesdays year round.

<u>TODs as Neighborhood or Community Shopping Destinations</u>

Bethesda, Ballston, and Clarendon have not become regional shopping destinations although they have relatively large concentrations of retail. These three TODs have higher shares of food and beverage uses and "convenience" retailing than Pentagon City and Silver Spring. These TODs are within close proximity of traditional suburban regional shopping centers. These competitors usurp the opportunity for Ballston, Bethesda, and Clarendon to become regional shopping destinations despite transit access and concentrations of daytime employees. Within this group of three TODs, Clarendon has the largest offering of "comparison" retail merchandise.

Ballston

Ballston's predominant retail center is Ballston Common, a 580,000 square foot, four-level enclosed mall, located at the corner of Glebe Road and Wilson Boulevard. The mall was constructed in the mid-1980s adjacent to a large Hecht's flagship store on the site of the 1950s-era Parkington Shopping Center. Metro leveraged a massive mixed-use project including the addition of a broader mix of mall specialty shops to the pre-existing department store anchor. The mall now features Macy's, a 12-screen, stadium seating Regal Theater, a Sport & Health Club, and Macy's Furniture Gallery. The shopping center is located two blocks from the Ballston Station on Metro's orange line. Many of the tenants are "convenience goods retailers" or "comparison goods retailers" that saturate the market and therefore have limited drawing power.

Ballston Common has only one department store anchor and most of the mall tenants are highly replicated throughout the region. Despite its size and transit accessibility, Ballston Common serves a sub-regional trade area that is constrained by the proximity of stronger centers (Tysons Corner Center to the west and Fashion Centre at Pentagon City to the east).

Adjacent streets are full of restaurants and service establishments. While there are many fast food eateries and casual restaurants, there is virtually no "retailing" on the streets within one-quarter mile of the Metro station.

Bethesda

Bethesda's retail base consists of street front shops on Wisconsin Avenue and adjacent street grid as well as Bethesda Row, a mixed-use project that incorporates historic street retailing with new retail space.

Bethesda Row encompasses approximately 320,000 square feet of retail space and represents half of the total retail space in Downtown Bethesda. Food uses comprise 32 percent of total leasable space while "comparison goods" retailers account for 26 percent of total space. Bethesda Row's service tenants account for 19 percent of total space while movies (10 percent) and grocery store (13 percent) round out its mix.

Bethesda's location within Suburban Maryland's competitive retail market limits its ability to attract a larger concentration of "comparison goods" retailers. Just beyond the I-495 Beltway, Montgomery Mall has become a powerful fashion shopping destination following the addition of Nordstrom. Another powerful retail node, just north of Bethesda, includes White Flint (Bloomingdales and Lord & Taylor) plus a significant offering of "comparison goods" retailers in strip centers along Rockville Pike. Bethesda's retail trade area is also impacted by proximity of the growing upscale retail concentration on Connecticut Avenue in Friendship Heights/Chevy Chase. Bloomingdales, Saks Fifth Avenue, Neiman Marcus, and Lord & Taylor are major anchors in this node.

TODs as Community Gathering Places

Rockville, Courthouse, and Virginia Square are excellent examples of TODs serving as community gathering places. Community event programming and public spaces are important traffic generators. Retailing is a secondary or tertiary activity; dining and entertainment are more important components than retailing.

Rockville

The Route 355 commercial corridor has traditionally been a more powerful retail setting than Downtown Rockville. With the advent of Rockville Town Square, residents now have a focal point for gathering and community celebrations. Families seem to be a major constituency here.

Rockville Town Square is a relatively new development located in the central business district of Rockville near the Rockville Metro station. This mixed-use project features residential units and office space plus non-traditional anchors such as a large public library and community arts center. The 180,000 square foot retail component is organized around a town square with a community fountain and public space. A large public parking garage built as part of Rockville Town Square serves the needs of this development and adjacent businesses.

Rockville Town Center has 24 restaurants versus 7 retailers. Of the retailers, there are several gift shops and stores selling home décor accessories but there is only one apparel merchant. "Shopping" is a recreational activity that is secondary to dining and gathering. A nearby Regal theater generates traffic for restaurants inside and close to Rockville Town Square.

Courthouse

Since the Court House Metro station opened in 1979, a mix of residential and commercial buildings has been developed around the government core. Over 14,000 people enter or exit the Court House metro station on an average weekday. The two Verizon buildings, built in 1983 and 1992, are the largest office buildings in the Court House Metro Station Area, comprising over 700,000 square feet of gross floor area. The Court House Plaza buildings, completed in 1989, include almost 600,000 square feet of office space. There are over 6,000 housing units in the Court House Metro Station Area.

The Courthouse Metro station node has approximately 288,000 square feet of retail space. AMC operates an 8-screen theater complex at Courthouse Plaza. A seasonal farmer's market operates in the courthouse parking lot. The eclectic Arlington Urban Village Market at Courthouse is an open air market that has been going on since December 2002. The most significant "retailers" are Office Depot and General Nutrition Center. Services and restaurants occupy virtually all storefronts on streets and at Courthouse Plaza.

Virginia Square

Virginia Square is one Metro stop east of Ballston in the Rosslyn-Ballston Metro corridor. This is Arlington County's educational and cultural center, and a burgeoning residential area. Arlington promotes Virginia Square as a blend of "the energy of a college campus with the sophistication and bustle of a growing urban center." Virginia Square is home to the Arlington campuses of George Mason University and The George Washington University as well as the Arlington Central Library and the Arlington Arts Center. It is expected that much of George Mason's growth over the next decade will take place at its Arlington graduate and law school campus.

Virginia Square has 181,000 square feet of retail space—a small amount relative to the development activity that has occurred in recent years. The most significant non-food uses within one-quarter mile of the Metro station are a bank and a service establishment offering custom framing. Retail development is inhibited by the station's location between Clarendon and Ballston.

<u>TODs as Employment Centers</u>

Crystal City is a prime example of a daytime employment center that pre-dated the opening of Metro; the advent of Metro expanded Crystal City's commuting base. Crystal City has 6,000 residents and 60,000 daytime employees. The area has a large assortment of hotels owing to its location near Reagan National Airport and its massive office base.

Crystal City is a massive office that was conceived and developed before new urbanism altered expectations for the built environment. Crystal City's layout was considered cutting edge when it was built, with "super blocks" bounded by arterial roads and circulators, and with pedestrian traffic and retail businesses in underground tunnels where pedestrians were protected from inclement weather. Moving pedestrians to an underground retail "bunker" is the antithesis of the current focus on stimulating visible, street-level foot traffic.

Metro has not facilitated a broadening of Crystal City's retail offering to include more "comparison goods retailing." The mix in Crystal City's underground concourses and at street level tips heavily toward food/beverage uses followed by services and "convenience goods retailers." Crystal City's 125 establishments serves employees, hotel guests, and visitors to businesses with no aspiration of serving a traditional residential trade area. Food service establishments represent approximately 40 percent of establishments and 60 percent of leasable space despite a major re-formatting of street-level spaces to create an enhanced retail atmosphere.

48 restaurants and fast food
17 consumer/business services
16 grooming/personal services
13 gift stores/specialty shops
9 apparel/shoe stores
8 jewelry/accessory stores
7 newsstands/convenience stores/drug stores
4 banks
3 electronics / photography stores

Crystal City is being redesigned to give it a more traditional, urban feel, with restaurants at street level, and with traffic patterns changed to make streets like Crystal Drive function as city streets, rather than as circulating roads. While many more restaurants are now located at street level, and restaurants are allowed to display signature corporate architecture, there are few street-level "retailers" of any type. The vast underground retail complex is largely deserted at times when office workers are not present. Evening operations cease at 7:00 pm and the underground complex is closed on Sunday.

__Metro Ridership Shows Minimal Weekend Use Variations__

Among the selected TODs, Metro ridership is highest at Pentagon City and Silver Spring. These stations have the largest concentrations of retailing. In Table 32, note the vast ridership differential between Eisenhower Station and all of the selected TOD analogs.

Weekends are the peak ridership periods for shoppers' patronizing retail shops at Metro stations. The normal share of weekend Metro riders using TOD/TAD stations is 12 to 16 percent. Not coincidentally, the station with the largest aggregation of "comparison goods" retail space (Pentagon City) has the highest total ridership among suburban Metro stations as well as the highest share of weekend transit riders. The sole TODs with atypically high shares of weekend ridership are Pentagon City and Clarendon. Pentagon City the greatest concentration of retail shopping and the largest component of "comparison" retailing, and while Clarendon has one of the highest concentrations of "comparison" retail.

One of the goals of the assignment was to identify—if possible—an applicable retail development model for Eisenhower East based upon transit-oriented development that has occurred adjacent to Metro stations in metropolitan Washington, DC.

An overview of retail transit-oriented development at Metro stations in Northern Virginia and Suburban Maryland shows no consistent retail development model with direct applicability to Eisenhower East. No two retail developments at Metro stations are identical; most consist predominantly of food/beverage uses and service establishments rather than "comparison retail goods." At most, transit riders generate 15 percent of retail sales in TODs evaluated for this analysis. Shoppers' goods merchandise exists only where market support is readily available beyond on-site demand. There is no existing transit-oriented development model for the proposed plan as submitted by Hoffman for a grocery-anchored "town center" although Hoffman Town Center, with its restaurants and movie theater, could become the foundation for a retail project most akin to Rockville Town Square.

Establishing a transit station "defines" pedestrian activity by providing a focal point or development "bulls eye" that is unlikely to change. Land uses within a reasonable walking distance—usually one-quarter of a mile or approximately 1,500 feet—are likely to be impacted by the placement of a transit station. The Eisenhower Avenue Metro station provides such a focal point for Eisenhower East although much of the office and residential development activity within Eisenhower East has occurred beyond the traditional one-quarter mile radius. The Metro station remains important to the future potential of Hoffman's "town center" even though patrons approaching by car are expected to generate a large majority of sales.

(Table 28.)

	FY 2008 METRO RIDERS	ESTIMATED RETAIL SF	WEEKDAY SHARE	WEEKEND SHARE
Pentagon City	10,330,655	1,600,000	***78 percent***	***22 percent***
Silver Spring	8,723,654	1,000,000	84 percent	16 percent
Ballston	6,348,764	968,000	85 percent	15 percent
Bethesda	6,303,585	500,000	85 percent	15 percent
Clarendon	2,706,173	600,000	80 percent	20 percent
Rockville	2,687,686	250,000	87 percent	13 percent
Rosslyn	9,731,487	776,000	87 percent	13 percent
Crystal City	8,156,537	400,000	87 percent	13 percent
Virginia Square	2,270,018	181,000	88 percent	12 percent
Courthouse	4,192,867	289,000	84 percent	16 percent
Eisenhower	***1,192,940***	***446,000***	***84 percent***	***16 percent***

SOURCES: City of Alexandria Department of Transportation & Environmental Services; WMATA; Arlington County Economic Development; H. Blount Hunter Retail & Real Estate Research Co.

Vehicle Counts Near Major Shopping Centers and Metro TODs

A comparison of vehicle counts near major shopping centers illustrates the relative "isolation" of Eisenhower East and the extent to which Eisenhower East will need to attract a large number of car trips to support additional retail activity. The following chart presents average daily vehicle counts near four of Northern Virginia's busiest regional shopping centers. All counts are substantially higher than the daily traffic counts in or near Eisenhower East. The difference in traffic levels between Eisenhower East and major regional shopping centers shows how many more vehicles (people) need to be drawn to Eisenhower East for retailers there to serve a regional audience.

The daily vehicle count near the Eisenhower Avenue Metro station is comparable to the vehicle counts near several other Metro stations.

(Table 29.)

REGIONAL MALL		AVG. DAILY VEHICLES
Potomac Yard	On Route 1 adjacent to center	39,000
Landmark Mall	On Duke Street west of Van Dorn	74,000
	On Van Dorn between Edsall Road and Duke Street	41,000
	On Van Dorn between Duke Street and Seminary Road	27,000
Springfield Mall	On Franconia Road between I-395 and Loisdale Road	75,000
	On Loisdale Road between Spring Mall Drive and Franconia Road	26,000
	On Frontier between Franconia Road and Spring Mall	31,000
Tysons Corner	On Route 7 between Route 123 and I-495	61,000
Eisenhower	On Eisenhower Rd. between Telegraph Rd. and Holland Lane.	15,000
	On Duke St. between Rt. 1 and Telegraph Rd.	25,000
	On Holland Rd. between Duke St. and Eisenhower Rd.	9,800

(Table 30.)

TRANSIT STOP		AVG. DAILY VEHICLES
Pentagon City	On S. Hayes between I-395 and 18th Street	13,000
	On 15th Street between S. Hayes and Rt. 1	18,000
	On Army Navy Dr. between 12th Street and I-395	9,900
Silver Spring	On Colesville Rd. north of Georgia Ave.	33,200
	On Colesville Ro. south of Georgia Ave.	30,400
	On Georgia Ave. east of Colesville Rd.	41,900
	On Georgia Ave. west of Colesville Rd.	36,400
Ballston	On Glebe Ro. between Rt. 50 and Columbia Pike	36,000
	On Wilson Blvd. between Glebe Rd. and Ballston	32,000
Bethesda	On Wisconsin Ave. north of East West Highway	33,000
	On Rt. 50 between Rt. 27 and DC line	55,000
Rosslyn	On Wilson Blvd. between Nash St. and Arlington Ridge Dr.	19,999
	On Clarendon Blvd. between Oak and Courthouse	13,000
	On Fort Meyer Dr. between Fairfax Dr. and Rt. 29	17,000
	On N. Lynn St. between Rt. 50 and Rt. 29	19,000
Rockville	On Route 355 opposite Rockville Town Square	44,400
Crystal City	On Route 1 between Glebe Rd. and Reagan Way	47,000
Clarendon	On Clarendon Blvd. between Courthouse Rd. and Washington Blvd.	13,000
Eisenhower	On Eisenhower Rd. between Telegraph Rd. and Holland Lane.	15,000
	On Duke St. between Rt. 1 and Telegraph Rd.	25,000
	On Holland Rd. between Duke St. and Eisenhower Rd.	9,800

Source: Virginia Department of Transportation; Maryland Department of Transportation

Comparative Measures Within 1- and 3-Mile Radii of Selected Sites

	1-Mile Radius				3-Mile Radius			
	Population	Households	Avg. House-hold Income	Daytime Population	Population	Households	Avg. House-hold Income	Daytime Population
Eisenhower East Study Area	21,341	9,720	$123,714	22,922	134,192	56,058	$129,415	85,769
Ballston Common Mall	35,724	15,505	$131,442	29,992	229,846	91,146	$125,067	139,044
Bethesda Row	20,532	9,888	$164,276	40,919	133,381	55,353	$196,317	96,246
Downtown Silver Spring	29,927	14,143	$82,919	28,749	211,678	79,298	$98,409	76,068
Landmark Mall	42,232	17,841	$96,251	11,978	191,194	76,156	$105,960	79,680
Market Common at Clarendon	38,807	18,198	$135,067	27,481	228,118	97,612	$133,313	285,643
Pentagon City	23,196	11,548	$110,897	22,722	200,017	87,229	$109,443	274,080
Potomac Yard	22,117	8,082	$118,115	12,317	162,674	67,709	$118,593	120,884
Rockville Town Square	14,019	5,186	$90,601	20,091	93,676	34,023	$128,588	106,553
Rosslyn	29,752	14,152	$127,375	53,070	267,088	130,857	$122,600	516,372
Springfield Mall	9,389	3,197	$100,638	8,555	102,710	37,719	$110,673	62,194

Source: Applied Geographic Solutions

This table presents demographics in 1- and 3-mile rings around Eisenhower East and selected shopping centers and TODs.

- Eisenhower East's 1-mile population density is comparable to 1-mile densities around Potomac Yard, Fashion Center at Pentagon City, and Bethesda Row. It is superior to the population density within a 1-mile radius of Springfield Mall and Rockville Town Square.

- Eisenhower East's 1-mile radius has a daytime work population of approximately 23,000. This compares favorably with the 1-mile ring employment levels for many of these selected shopping centers and TODs.

- Eisenhower East's 3-mile radius population density compares poorly with most of the selected projects. There are almost twice as many households within a 3-mile radius of Market Commons at Clarendon as there are surrounding Eisenhower East.

- Eisenhower East's 3-mile daytime employee count is significantly lower than the counts surrounding all but three of the selected developments.

On the surface, the greatest parallel exists between Bethesda Row and Eisenhower East at the 3-mile level and between Eisenhower East and Fashion Center at Pentagon City at the 1-mile level.

Retailing has its own logic that is sometimes not readily visible. Successful retailing—in urban environments as well as suburban settings, on streets and in organized shopping centers—is driven by business fundamentals that must be acknowledged and considered when envisioning the future retail development within Eisenhower East. Retail cannot succeed in every place that a storefront can be constructed. A store's location must enable a merchant to attract and serve enough patrons to be economically viable.

1. Consumers have predictable levels of spending on different types of goods and services. The spending potential for many categories of merchandise can be estimated once an aggregation of likely shoppers' has been established as a "trade area."

2. Consumers usually try to satisfy their buying needs by shopping in the stores and shopping areas that are the closest to home when possible. The distance that consumers are willing to travel to shop varies according to the goods sought, frequency of purchasing, price differentials, depths of assortment and other factors.

3. Accessibility and exposure are critical elements of selecting locations for stores and shopping centers. Optimally, retailing should be established in the midst of areas that already have high levels of traffic (autos, pedestrians). Retailers seldom opt for out-of-the-way locations that force potential patrons to go out of their way.

4. The drawing power of shops and restaurants tends to escalate as business clusters increase in size or specialization. Local competitive conditions impact the scale and content required to achieve "destination" drawing power at any specific site. Retail "gravity" is a predictor of drawing distances that shopping nodes can achieve.

5. Most retailers attempt to operate as few stores as possible in order to maximize sales per unit. Retailers open new stores when they are convinced that a new location can achieve a profitable level of sales without transferring sales from existing units that would threaten the profitability of existing stores.

Retailing follows consumers; it leads customers with rare exceptions. Retailers look for established markets as signified by sustained traffic; they are reluctant to be pioneers. By far, most retailers are dependent upon being near their best customer prospects, preferably in a place where their current and likely patrons already go. A rare category of merchants is classified as "destination retailers" because their customer franchise is so strong or their offering is so unique that they can draw patrons to any site they select.

"High traffic vs. the right traffic" can be a fundamental trade off for retailers. In general, an area that delivers a high level of traffic will be preferred by more retail tenants than an alternative site with more favorable rental economics but less traffic. The U.S. retailing model of mass merchandising is predicated upon low margin/high traffic. Some specialty retailers are capable of generating high profitability on low traffic if their margins are high. In other cases, retailers can survive in low traffic conditions if there is minimal competition.

Clustering of compatible retailers has become the norm in American retailing. Merchants seeking compatible customers will gravitate to "nodes" where multiple merchants have greater probability of drawing sufficient traffic than any single retailer could draw on its own merits. Restaurateurs generally perceive the benefits of a functional critical mass of dining options when a restaurant district achieves destination drawing power.

"Destination shopping" requires a "critical mass" of merchants in order to be visible in the context of the larger, competitive retail landscape. The destination drawing power of a retail area is dependent on its size ("critical mass"), content, and location relative to its market and competition. Most retailers prefer to cluster with compatible merchants in a critical mass so that they are not solely dependent upon their own drawing power for traffic.

A well-managed environment is important to retailers so they can focus their energy on "minding the shop." The competitive advantage that shopping centers have over unorganized districts is tight control over operating standards, merchandising/leasing decisions, and marketing activities resting in the hands of a single developer.

Independent, entrepreneurial retailers are an endangered species in American retailing. Mom-and pop retailers compete in a world of large chain merchandisers that often enjoy pricing and merchandising advantages. Local merchants succeed by maintaining specialty niches and with admirable persistence. Expanding is often difficult for entrepreneurial retailers because they are fragile—often under-capitalized and without extensive management depth. Coaxing entrepreneurs into untested locations or enticing them to expand challenges their capacity to survive. Until a viable retail market has been demonstrated, chain retailers will not show interest even at low rental rates. When sustainable market support has been demonstrated, chain retailers will pay a rental premium for reduced risk.

Entrepreneurs often lack rudimentary retail skills. Many people have romantic notions of opening a store or restaurant, yet these business sectors are seldom kind to inexperienced operators who lack basic retail skills. Unrealistic business plans and a lack of sales skills result in many business failures. Other entrepreneurs are predestined for failure when their creative passions are not backed by an in-depth understanding of the financial aspects of retailing. While some businesses fail due to poor customer service, many more fail because they are under-capitalized. Many start-up retail businesses never recover from the burden of excessive expenses incurred prior to opening day. Other traps include too much inventory or too little inventory.

Retailers cannot generally survive rent-to-sales ratios in excess of 15 percent. Retailers operating at "keystone" mark-up (selling cost is twice the cost of goods sold) cannot generate a profit if rent exceeds 12-15 percent of sales. The single greatest cause of retail failure is rents (and other expenses) that are not commensurate with sales. Restaurants generally try to limit rent to 5-10 percent of sales; fast food vendors can sustain rent-to-sales ratios of 15 percent (or more) depending upon cost of goods sold.

Retailers cannot manage their way to profitability simply by minimizing rent; they must have adequate sales to provide revenue for inventory, staffing, and other operating expenses. Low rent cannot always compensate for low sales volume. A retailer's cash register must "ring" if the business is to survive. Even with no rent, a retailer cannot survive if sales fail to cover the cost of goods sold, salaries, utility expenses, and other costs.

These definitions may assist the reader in understanding the meaning of the projections contained in this report.

"Comparison Goods" vs. "Convenience Goods"

"Comparison goods" are articles a consumer might shop for, and purchase, in a department store or regional shopping mall. "Comparison goods" include apparel, shoes, jewelry, cosmetics, books, stationary and gifts, and goods for the home.

"Convenience goods" are items often purchased on a highly repetitive basis without benefit of cross-shopping or comparison. Groceries, health and beauty products, greeting cards, and other incidentals are "convenience goods."

Trade Area

A trade area reflects the geographic drawing power of a shopping center or collection of stores. Generally, a trade area accounts for 75 percent of sales.

"Spending Capacity"

"Spending capacity" is the estimated or projected spending potential of Downtown patrons. "Spending capacity" reflects key assumptions about spending level as described in each scenario. "Spending capacity" reflects aggregate spending potential before a "capture rate" is applied.

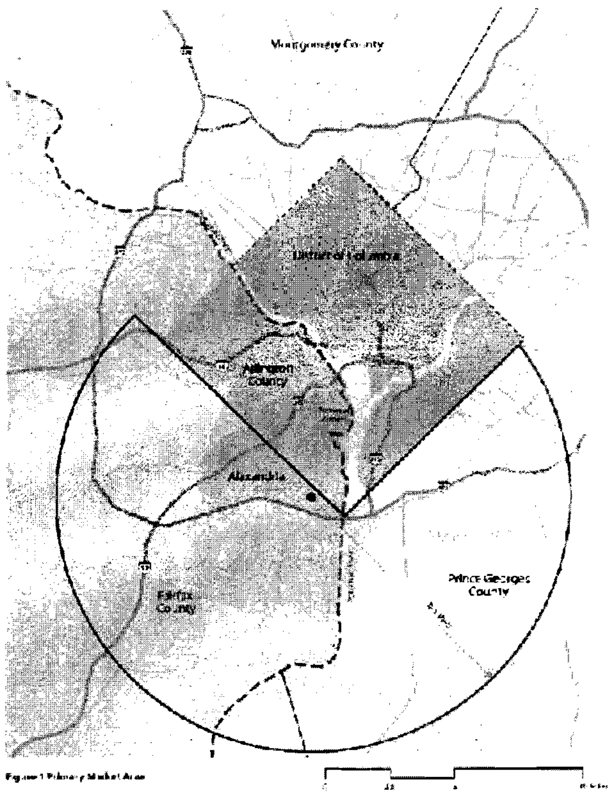
"Supportable Square Footage"

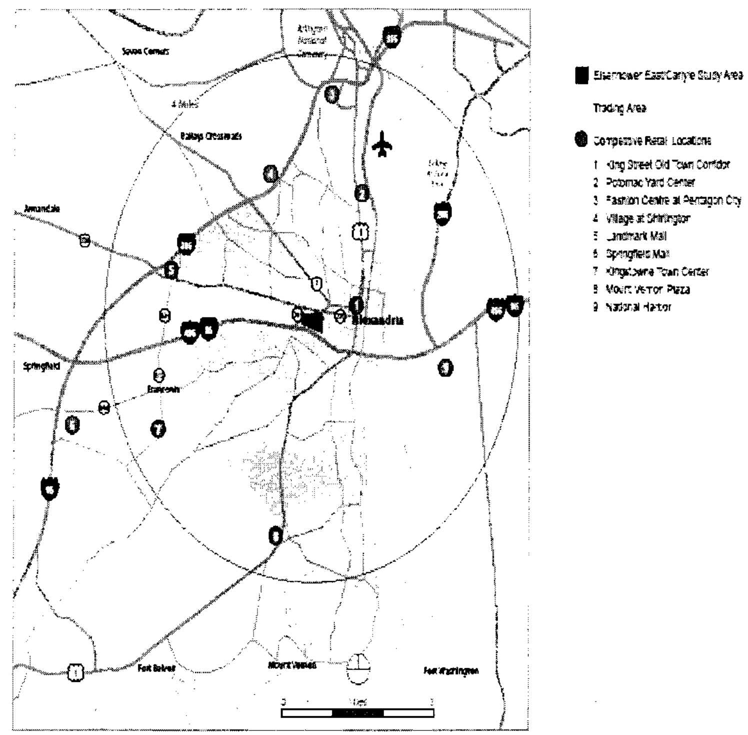
This report uses the term "supportable square footage" to describe the amount of space that can be "supported" by patrons subject to key assumptions. "Supportable square footage" reflects the amount of space that results from the following calculation:

$$\frac{\text{"Untapped spending potential" X "Capture Rate"}}{\text{\$350 PSF Sales Productivity}}$$

Sales Productivity

The selection of the sales productivity factor directly impacts the amount of "supportable square footage" that is recommended for Eisenhower East as a whole or "town center" as a specific development within Eisenhower East. The recommendations can be manipulated by selecting an artificially low or an unrealistically high level of sales productivity as the basis for "supportable square footage." The use of $350 per square foot sales productivity for calculating "supportable square footage" is best defended as an average level of sales productivity reflecting the mix of merchants that is likely to be attracted to Eisenhower East: independent merchants, a mix of store sizes, and a mix of food uses ranging from small fast food operations to larger sit-down restaurants. In the shopping center industry, an average regional shopping center generates sales productivity of $350 per square foot.





The Eisenhower East/Carlyle Trading Area and Competitive Retail Structure

The left map shows Eisenhower East's Primary Market Area (PMA) as defined in 2002. In 2002, Eisenhower East's Secondary Market Area (SMA) was defined as the remainder of the Washington, DC-MD-VA metropolitan region. This trade area was established during a time of industry infatuation with "entertainment centers" and "lifestyle centers." As a consequence, the trade area was over-stated—especially as related to the vast SMA. The right map shows Eisenhower East's probable trade area based on the drawing power of the Hoffman AMC Theaters. The 2009 trade area is smaller than the area designated as the PMA in 2002.

EISENHOWER EAST
RESIDENTIAL BASE MARKET

	TYPICAL STORE SIZE	ASSUMED PRODUCTIVITY	DEMAND PER HOUSEHOLD	ASSUMED CAPTURE	2015 SUPPORTABLE SQ. FT. 2,700 HSLDS.	2015 SUPPORTABLE SQ. FT. 2,700 HSLDS.	2030 SUPPORTABLE SQ. FT. 4,300 UNITS	2030 SUPPORTABLE SQ. FT. 4,300 UNITS
Full Service Restaurants	2,500	$500	$1,210	50%	3,267	1	5,203	2
Limited Service Restaurants	2,000	$500	$1,140	50%	3,078	2	4,902	2
Drinking Places	2,500	$450	$126	50%	378	0	602	0
Pharmacies/Drug Stores	10,000	$400	$1,304	90%	7,922	1	12,616	1
Cosmetics/Beauty Supply Stores	2,000	$250	$56	50%	302	0	482	0
Optical Stores	1,800	$400	$56	75%	284	0	452	0
Health Food Stores	2,500	$250	$39	75%	316	0	503	0
Furniture Stores	20,000	$200	$381	25%	1,286	0	2,048	0
Floor Coverings Stores	5,000	$200	$88	25%	297	0	473	0
Jewelry Stores	1,800	$600	$194	50%	437	0	695	0
Book Stores	5,000	$300	$122	75%	824	0	1,312	0
News Stands	500	$500	$7	100%	38	0	60	0
Music Stores	2,000	$250	$60	75%	486	0	774	0
Electonics/Appliance Stores	25,000	$250	$528	75%	4,277	0	6,811	0
Supermarkets	45,000	$550	$3,490	75%	12,850	0	20,464	0
Beer/Wine/Liquor Stores	4,000	$300	$233	75%	1,573	0	2,505	1
Bakeries	1,500	$200	$12	100%	162	0	258	0
Fish/Seafood Markets	1,500	$250	$13	100%	140	0	224	0
Meat Markets	1,500	$250	$37	100%	400	0	636	0
Candy Stores	1,500	$300	$11	100%	99	0	158	0
Sporting Goods Stores	7,500	$300	$210	50%	945	0	1,505	0
Hobby/Toys/Games Stores	5,000	$300	$154	50%	693	0	1,104	0
Sewing/Needlework Stores	2,500	$250	$33	75%	267	0	426	0
Musical Instrument Stores	2,000	$250	$4	75%	32	0	52	0
Florists	1,500	$300	$55	75%	371	0	591	0
Office Supply/Stationery Stores	10,000	$250	$173	75%	1,401	0	2,232	0
Gift/Souvenir Stores	2,500	$250	$139	50%	751	0	1,195	0
Pet Supply Stores	2,500	$250	$63	75%	510	0	813	0
Art Dealers	3,000	$300	$53	50%	239	0	380	0
Building Material Stores	120,000	$250	$1,781	50%	9,617	0	15,317	0
Nursery/Garden Supply Stores	20,000	$250	$139	50%	751	0	1,195	0
Men's Clothing Stores	3,000	$250	$66	25%	178	0	284	0
Women's Clothing Stores	3,000	$250	$312	25%	842	0	1,342	0
Family Clothing Stores	10,000	$250	$520	25%	1,404	0	2,236	0
Accessories Stores	2,000	$250	$23	25%	62	0	99	0
Shoe Stores	4,000	$250	$183	25%	494	0	787	0
Computer/Software Stores	3,500	$300	$144	50%	648	0	1,032	0
Camera/Supply Stores	2,500	$300	$26	50%	117	0	186	0
Department Stores	100,000	$175	$803	50%	6,195	0	9,865	0
Discount Department Stores	120,000	$250	$1,174	75%	9,509	0	15,145	0
Video Rental Stores	5,000	$250	$59	100%	637	0	1,015	0
Pet Care (excluding veterinarians)	2,500	$250	$12	75%	97	0	155	0
Dry Cleaning	1,000	$250	$65	100%	702	1	1,118	1
Hair and Nail Salons	1,500	$250	$138	100%	1,490	1	2,374	2
Shoe Repair	750	$250	$2	100%	22	0	34	0
Computer Repair	1,500	$250	$53	100%	572	0	912	1

SUPPORTABLE SQ. FT.*

SOURCE: U.S. Census, 2002; H. Blount Hunter Retail & Real Estate Research Co.

* "Supportable square feet" reflects assumed capture rate and includes square footage in cases where 1 or more stores can be supported.

EISENHOWER EAST TOWN CENTER
UTILIZATION RATE MODEL 2015

SCENARIO 1A: 200,000-400,000 SF RETAIL/ENTERTAINMENT PROJECT (No supermarket; low visit frequency by residents and workers)

CUSTOMER SEGMENT	SEGMENT SIZE	ANNUAL PENETRATION	ANNUAL FREQUENCY	ANNUAL UTILIZATION RATE	IMPLIED ANNUAL TRIPS	AVERAGE SPENDING PER VISIT	AGGREGATE ANNUAL SALES PER SEGMENT	PCT. SALES
LOCAL RESIDENTS (AGES 18-65) (50 percent penetration; 12 annual visits)	101,475	50%	12	6.00	608,850	$40.00	$24,354,000	56%
OFFICE WORKERS (100 percent penetration; 2 visits per month)	26,500	100%	24	24.00	636,000	$15.00	$9,540,000	22%
HOTEL GUESTS	274,375	50%	1	0.50	137,188	$25.00	$3,429,688	8%
SALES INFLOW (25 PERCENT)							$6,088,500	14%
TOTAL SALES VOLUME:	**$43,412,188**						**$43,412,188**	100%
SALES PRODUCTIVITY:								
200,000 SF	**$217**							
400,000 SF	**$109**							
SUPPORTABLE SF @ $350 PSF:	**124,035**							

EISENHOWER EAST TOWN CENTER
UTILIZATION RATE MODEL 2015

SCENARIO 1B: 200,000-400,000 SF RETAIL/ENTERTAINMENT PROJECT (No supermarket; low resident frequency; high worker frequency)

CUSTOMER SEGMENT	SEGMENT SIZE	ANNUAL PENETRATION	ANNUAL FREQUENCY	ANNUAL UTILIZATION RATE	IMPLIED ANNUAL TRIPS	AVERAGE SPENDING PER VISIT	AGGREGATE ANNUAL SALES PER SEGMENT	PCT. SALES
LOCAL RESIDENTS (AGES 18-65) (50 percent penetration; 12 annual visits)	101,475	50%	12	6.00	608,850	$40.00	$24,354,000	46%
OFFICE WORKERS (100 percent penetration; 4 visits per month)	26,500	1%	48	48.00	1,272,000	$15.00	$19,080,000	36%
HOTEL GUESTS	274,375	50%	1	0.50	137,188	$25.00	$3,429,688	6%
SALES INFLOW (25 PERCENT)							$6,088,500	11%
TOTAL SALES VOLUME:	**$52;952,188**						**$52,952,188**	100%
SALES PRODUCTIVITY:								
200,000 SF	**$265**							
400,000 SF	**$132**							
SUPPORTABLE SF @ $350 PSF:	**151,292**							

EISENHOWER EAST TOWN CENTER
UTILIZATION RATE MODEL 2015

SCENARIO 1D: 200,000-400,000 SF RETAIL/ENTERTAINMENT PROJECT (No supermarket; high frequency of use by residents and workers)

CUSTOMER SEGMENT	SEGMENT SIZE	ANNUAL PENETRATION	ANNUAL FREQUENCY	ANNUAL UTILIZATION RATE	IMPLIED ANNUAL TRIPS	AVERAGE SPENDING PER VISIT	AGGREGATE ANNUAL SALES PER SEGMENT	PCT. SALES
LOCAL RESIDENTS (AGES 18-65) (50 percent penetration; 24 annual visits)	101,475	50%	24	12.00	1,217,700	$40.00	$48,708,000	59%
OFFICE WORKERS (100 percent penetration; 4 visits per month)	25,600	100%	48	48.00	1,228,800	$15.00	$18,432,000	22%
HOTEL GUESTS	274,375	50%	1	0.50	137,188	$25.00	$3,429,688	4%
SALES INFLOW (25 PERCENT)							$12,177,000	15%
TOTAL SALES VOLUME:	**$82,746,688**						**$82,746,688**	100%
SALES PRODUCTIVITY:								
200,000 SF	**$414**							
400,000 SF	**$207**							

EISENHOWER EAST TOWN CENTER
UTILIZATION RATE MODEL 2030

SCENARIO 1B: 200,000-400,000 SF RETAIL/ENTERTAINMENT PROJECT (No supermarket; high worker frequency; low resident frequency)

CUSTOMER SEGMENT	SEGMENT SIZE	ANNUAL PENETRATION	ANNUAL FREQUENCY	ANNUAL UTILIZATION RATE	IMPLIED ANNUAL TRIPS	AVERAGE SPENDING PER VISIT	AGGREGATE ANNUAL SALES PER SEGMENT	PCT. SALES
LOCAL RESIDENTS (AGES 18-65) (50 percent penetration; 12 annual visits)	114,355	50%	12	6.00	686,130	$40.00	$27,445,200	42%
OFFICE WORKERS (100 percent penetration; 4 visits per month)	38,000	100%	48	48.00	1,824,000	$15.00	$27,360,000	41%
HOTEL GUESTS	349,000	50%	1	0.50	174,500	$25.00	$4,362,500	7%
SALES INFLOW (25 PERCENT)							$6,861,300	10%
TOTAL SALES VOLUME:	**$66,029,000**						**$66,029,000**	100%
SALES PRODUCTIVITY:								
200,000 SF	**$330**							
400,000 SF	**$165**							
SUPPORTABLE SF @ $350 PSF:	**188,654**							

EISENHOWER EAST TOWN CENTER
UTILIZATION RATE MODEL 2030

SCENARIO 1C: 200,000-400,000 SF RETAIL/ENTERTAINMENT PROJECT (No supermarket; high resident frequency; low worker frequency)

CUSTOMER SEGMENT	SEGMENT SIZE	ANNUAL PENETRATION	ANNUAL FREQUENCY	ANNUAL UTILIZATION RATE	IMPLIED ANNUAL TRIPS	AVERAGE SPENDING PER VISIT	AGGREGATE ANNUAL SALES PER SEGMENT	PCT. SALES
LOCAL RESIDENTS (AGES 18-65) (50 percent penetration; 24 annual visits)	114,355	50%	24	12.00	1,372,260	$40.00	$54,890,400	63%
OFFICE WORKERS (100 percent penetration; 2 visits per month)	38,000	100%	24	24.00	912,000	$15.00	$13,680,000	16%
HOTEL GUESTS	349,000	50%	1	0.50	174,500	$25.00	$4,362,500	5%
SALES INFLOW (25 PERCENT)							$13,722,600	16%
TOTAL SALES VOLUME:	**$86,655,500**						$86,655,500	100%
SALES PRODUCTIVITY:								
200,000 SF	**$433**							
400,000 SF	**$217**							
SUPPORTABLE SF @ $350 PSF:	**247,587**							

EISENHOWER EAST TOWN CENTER
UTILIZATION RATE MODEL 2030

SCENARIO 1C: 200,000-400,000 SF RETAIL/ENTERTAINMENT PROJECT (No supermarket; high resident frequency; low worker frequency)

CUSTOMER SEGMENT	SEGMENT SIZE	ANNUAL PENETRATION	ANNUAL FREQUENCY	ANNUAL UTILIZATION RATE	IMPLIED ANNUAL TRIPS	AVERAGE SPENDING PER VISIT	AGGREGATE ANNUAL SALES PER SEGMENT	PCT. SALES
LOCAL RESIDENTS (AGES 18-65) (50 percent penetration; 24 annual visits)	114,355	50%	24	12.00	1,372,260	$40.00	$54,890,400	63%
OFFICE WORKERS (100 percent penetration; 2 visits per month)	38,000	100%	24	24.00	912,000	$15.00	$13,680,000	16%
HOTEL GUESTS	349,000	50%	1	0.50	174,500	$25.00	$4,362,500	5%
SALES INFLOW (25 PERCENT)							$13,722,600	16%
TOTAL SALES VOLUME:	**$86,655,500**						$86,655,500	100%
SALES PRODUCTIVITY:								
200,000 SF	**$433**							
400,000 SF	**$217**							
SUPPORTABLE SF @ $350 PSF:	**247,587**							

EISENHOWER EAST TOWN CENTER
UTILIZATION RATE MODEL 2030

SCENARIO 1D: 200,000-400,000 SF RETAIL/ENTERTAINMENT PROJECT (No supermarket; high frequency of use by residents and workers)

CUSTOMER SEGMENT	SEGMENT SIZE	ANNUAL PENETRATION	ANNUAL FREQUENCY	ANNUAL UTILIZATION RATE	IMPLIED ANNUAL TRIPS	AVERAGE SPENDING PER VISIT	AGGREGATE ANNUAL SALES PER SEGMENT	PCT. SALES
LOCAL RESIDENTS (AGES 18-65) (50 percent penetration; 24 annual visits)	114,375	50%	24	12.00	1,372,500	$40.00	$54,900,000	55%
OFFICE WORKERS (100 percent penetration; 4 visits per month)	38,000	100%	48	48.00	1,824,000	$15.00	$27,360,000	27%
HOTEL GUESTS	349,000	50%	1	0.50	174,500	$25.00	$4,362,500	4%
SALES INFLOW (25 PERCENT)							$13,725,000	14%
TOTAL SALES VOLUME:	**$100,347,500**						$100,347,500	100%
SALES PRODUCTIVITY:								
200,000 SF	**$502**							
400,000 SF	**$251**							
SUPPORTABLE SF @ $350 PSF:	**286,707**							

EISENHOWER EAST TOWN CENTER
UTILIZATION RATE MODEL 2009

SCENARIO 1A: 200,000-400,000 SF RETAIL/ENTERTAINMENT PROJECT (No supermarket; low frequency of use by residents and workers)

CUSTOMER SEGMENT	SEGMENT SIZE	ANNUAL PENETRATION	ANNUAL FREQUENCY	ANNUAL UTILIZATION RATE	IMPLIED ANNUAL TRIPS	AVERAGE SPENDING PER VISIT	ANNUAL SALES PER SEGMENT	PCT. SALES
LOCAL RESIDENTS (AGES 18-65) (50 percent penetration; 12 annual visits)	92,960	50%	12	6.00	557,760	$40.00	$22,310,400	56%
OFFICE WORKERS (100 percent penetration; 2 visits per month)	20,100	100%	24	24.00	482,400	$15.00	$7,236,000	18%
HOTEL GUESTS	243,880	50%	1	0.50	121,940	$25.00	$3,048,500	8%
SALES INFLOW (25 PERCENT)							$7,386,600	18%
TOTAL SALES VOLUME:	**$39,981,500**						**$39,981,500**	100%
SALES PRODUCTIVITY:								
200,000 SF	**$200**							
400,000 SF	**$100**							
SUPPORTABLE SF @ $350 PSF:	**114,233**							

Increasing the density of development in Eisenhower East will result in increased spending potential on food/beverage as well as convenience retail goods and "shoppers' goods."

Each additional 10,000 SF of office space generates sufficient demand to support 116 SF of food/beverage use at $400 PSF and 20 SF of retail use at $350 PSF. Each additional 100 residential units generates enough demand to support 163 SF of food/beverage use and 1,249 SF retail use. Each additional 100 hotel rooms generates sufficient demand to support 578 SF of food/beverage use and 347 SF of retail use.

The Impact of Additional Densities on Retail Sales and Space in Eisenhower East

(In Millions of Constant 2009 Dollar Values)

Additonal Office Space		Additional Residebtial Units		Additional Hotel Rooms	
Rentable Building Area	500,000	Number of Housing Units	500	Number of Rooms	500
Occupancy Rate	92%	Occupany Rate	95%	Occupancy Rate	70%
Occupied Office Space	460,000	Population	926	Annual Room Nights	127,750
Space per Office Worker	230	Households	475	Average Persons Per Room	1.5
Office Work Force	2,000	Average Household Income	$127,805	Annual Person Days	191,625
Per Capita for Food & Drink	$1,450	Aggregate Household Income	$60.7	Per Capita for Food & Drink	$40
Per Capita for Convenience Retail	$300	Potential for Food Away from Home	$2.9	Per Capita for Convenience Retail	$10
Per Capita for Shoppers Goods	$600	Potential for Convenience Retail	$5.9	Per Capita for Shoppers Goods	$20
Potential for Food & Drink	$2.9	Potential for Personal Services	$0.5	Potential for Food & Drink	$7.7
Potential for Convenience Retail	$0.6	Potential for Shoppers Goods	$7.3	Potential for Convenience Retail	$1.9
Potential for Shoppers Goods	$1.2			Potential for Shoppers Goods	$3.8
		Food & Drink Capture Rate	10%		
Food & Drink Capture Rate	80%	Food & Drink Sales	$0.3	Food & Drink Capture Rate	15%
Food & Drink Sales	$2.3	Supportable SF @ $350 PSF	815	Food & Drink Sales	$1.2
Supportable SF @ $400 PSF	5,800			Supportable SF @ $400 PSF	2,888
Convenience Retail Capture Rate	50%	Convenience Retail Capture Rate	25%	Convenience Retail Capture Rate	25%
Convenience Retail Sales	$0.3	Convenience Retail Sales	$1.8	Convenience Retail Sales	$0.5
Supportable SF @ $350 PSF	857	Supportable SF @ $350 PSF	5,203	Supportable SF @ $400 PSF	1,188
Shoppers Goods Capture Rate	5%	Shoppers Goods Capture Rate	5%	Shoppers Goods Capture Rate	5%
Shoppers' Goods Sales	$0.1	Shoppers' Goods Sales	$0.4	Shoppers' Goods Sales	$0.2
Supportable SF @ $350 PSF	171	Supportable SF @ $350 PSF	1,041	Supportable SF @ $350 PSF	543
PER 10,000 SF NEW OFFICE		**PER 100 NEW UNITS**		**PER 100 NEW ROOMS**	
FOOD & DRINK SF	**116**	**FOOD & DRINK SF**	**163**	**FOOD & DRINK SF**	**578**
CONVENIENCE RETAIL SF	**17**	**CONVENIENCE RETAIL SF**	**1,041**	**CONVENIENCE RETAIL SF**	**238**
SHOPPERS GOODS SF	**3**	**SHOPPERS GOODS SF**	**208**	**SHOPPERS GOODS SF**	**109**