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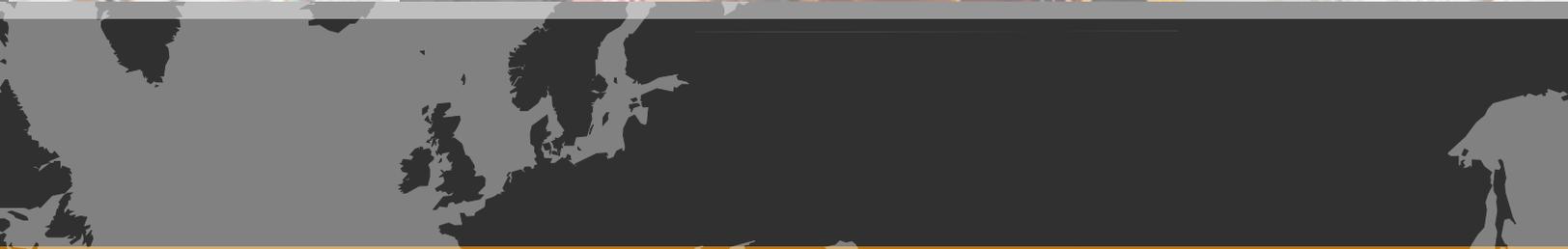
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North America's New Town Centers: Time to Take Some Angst Out and Put More Soul In

by Karl Kalcher
Managing Director and Founding Partner, MindFolio

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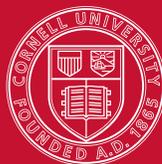
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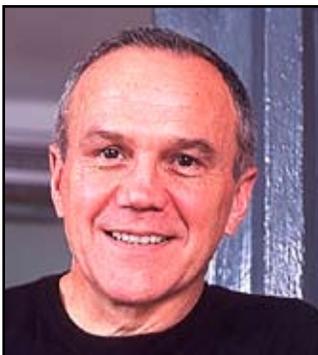
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North America's New Town Centers:

Time to Take Some Angst Out
and Put More Soul In

by Karl Kalcher

ABOUT THE AUTHOR



Karl Kalcher is managing director and founding partner of MindFolio Ltd., a strategy consultancy (kk@mindfolio.com). MindFolio develops visions, branded concepts, and master-planned experiences, based on rigorous customer analysis and interaction, for leisure, retail, residential, and working environments in the U.S.A., Europe, and the Middle East. As senior vice president at LEGO Group, he led two \$500-million projects to design and build LEGOLAND branded family parks—LEGOLAND Windsor and LEGOLAND California—as well as creating and implementing the international retail strategy for the LEGO Group. Prior to that he launched the Timberland brand in the U.K. and was board director and CEO of two global fashion and retail brands, Clarks and ecco.

EXECUTIVE SUMMARY

In theory, the rise of mixed-use developments called town centers or life-style centers is a promising advancement for urban locations. With their blend of public amenities and commercial and residential properties, these centers create a public space that can be enjoyable, attractive, and lucrative. In reality, the design of these “town center” spaces seems to be stuck in a rut, as too many developments are little more than a collection of chain stores and restaurants, devoid of truly useable public spaces with any “sense of place.” Furthermore, the architectural sameness is frequently the result of clients’ anxiety regarding innovation. Most design ideas seem to be drawn from the same hillside town in Italy. Trends that may break the architectural “angst” include the retail brands’ increasing insistence on matching brand message with the wider brand environment, a more assertive role of hospitality operators in the design process as they become ever more cognizant of their crucial contribution to success, the public’s awareness of groundbreaking design, and the push toward sustainability. One other helpful approach might include the involvement of a knowledgeable peer group that would help target designs to local markets, in place of “stock” designs. The British have applied this approach with some success. The precipitous drop in the real estate industry’s fortunes has perforce invoked a pause in many developers’ plans. Unavoidably, some number of mediocre developments will be put on hold, many of them indefinitely. With no intent to minimize the suffering caused by the freeze in credit and real estate, there is a potential silver lining, provided the industry’s development interregnum becomes a time to reflect on ways to look forward and to pursue innovation in master planning, architecture, and leasing.

North America's New Town Centers:

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by Karl Kalcher

As consumers became tired of America's ubiquitous shopping malls, an alternative retailing format appeared—an outdoor streetscape with trees, shops in buildings with convenient front-door parking, restaurants, and sometimes hotels. These new developments, which have attracted much attention and popular support, go by several names, but I'll use the common term of "life-style center." Meant to provide an ambience and flair that most malls never attempted, these centers have begun to display a sameness similar to that of the malls. These centers all seem to look like a set from the same mock Italian hill town, no matter whether the center is built in Maine or Mississippi.

This has occurred even as life-style centers are frequently incorporated into master-planned communities and marketed as new “town centers.” However, that trend raises more profound issues and brings into sharp focus the key issue of the difference between creating a landscaped strip of retail shops, possibly with a cinema and a few chain restaurants, on the one hand, and, on the other, opening a town center that should serve generations. In this white paper, I suggest that this might be a time for the U.S. industry to look beyond its shores for inspiration. Ambitious developments in Europe and Japan have demonstrated that you don’t have to hug the past or build a fake Tuscany to create a great ambience and a commercially successful future.

The innovator who succeeded with the concept of the ersatz façade is Walt Disney. He was the genius who built the cheapest shed to house the most expensive entertainment wizardry and who spent his money chiefly on the façade. This was brilliant for Walt Disney World, and a lasting legacy for property developers. Such an approach makes perfect economic sense if, like Walt Disney, one expects that such a building might have to be changed after five or ten years to make way for a bigger or newer attraction.

In contrast, America’s new town centers and social spaces should be far more permanent in concept and construction than a movie set. Even more dispiriting is the thought that such an identical “movie set” could be found from Anchorage to Albuquerque, so to speak. To be fair, it’s true that some developments may add bits of pastiche, say, “mixed world” facades on the Tuscan base. Those added bits could be Regency, Spanish, or Art Deco, but I submit that such minor modifications hardly make a difference to anyone, except for the project designer and the construc-

tion crew. Nor is this questionable design practice of lesser relevance to our social and public spaces just because these new developments tend to be urban town centers rather than downtown centers.

A snapshot of dozens of new mixed use developments in the U.S. vividly demonstrates that there is hardly anyone who has had the desire, courage, or conviction to create innovative and lasting 21st century architecture and a commensurately new “*genus loci*.” Compare this to the sensational impact of the United Kingdom’s Bullring redevelopment in Birmingham’s city center, which opened in 2003 and moved the city’s retail position from thirteenth to second strongest nationwide.¹ (In hindsight, the extent of its success must have come as a surprise, even though this has long been a commercial site, given that its hospitality offering should have been much stronger to benefit from this success.) Look also at the daring of Poland’s prize-winning Zlote Tarasy in Warsaw, where dozens of restaurants and clubs create a huge magnet for shoppers and leisure customers alike.²

The U.S. does have avatars of new architectural approaches. For example, in the tiny Metlox Town Square in Manhattan Beach, California, a funky boutique hotel anchors a retail place.³ Instead of the token fountain jet, Metlox put a stylish community fireplace and a village green with a pond as its center, which creates a wonderful ambience for

¹ See, for example, “New Look for Much Maligned City Centre,” *Birmingham Post*, September 4, 2003 (http://icbirmingham.icnetwork.co.uk/0100news/0100localnews/tm_method=full%26objectid=13367900%26siteid=50002-name_page.html).

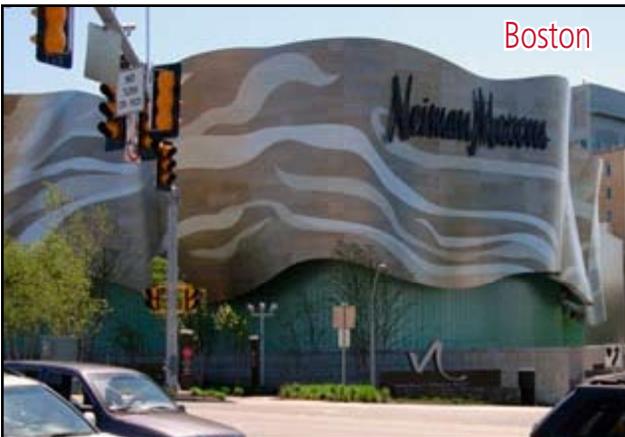
² Designed by ARUP, see: www.arup.com/poland/project.cfm?pageid=2973.

³ www.metloxmb.com.

Town center developments looking forward



Developments in Anaheim, above at left, and Manhattan Beach, California, as well as Boston (below) are expressing themselves and looking forward (see Exhibit 4)...



residents and the customers of the surrounding restaurants (see Exhibit 1). Designed by Tolkin and Associates, the fire sculpture recalls the Metlox Pottery factory that operated on the site from 1927 to 1989.⁴ Although the development invokes “European style” with its central square, the architecture seems to resonate with a Spanish colonial vibe, without sinking to the level of pastiche. I must note that its retail circulation may need improvement, but that is a topic for another paper.

“Angst” Architecture

The source of this design “angst,” as I call it, is not the architects, because they frequently prove their ability. I say

⁴ Dawnya, Pring, Metlox Shopping Center to Celebrate Grand Opening Dec. 1,” *Manhattan Beach News*, www.tbrnews.com/articles/2005/11/24/manhattan_beach_news/news18.txt (November 23, 2005).

this because I have seen the incisive work they have done—mostly outside the U.S.A. By contrast, their output at home typically reflects the overriding influences from their clients. Two of those influences are time and budget. Both of these are understandable and are by necessity omnipresent in any development. Decorating sheds and plain façades is faster and cheaper than building more complex structures.

Notwithstanding clients and budgets, I believe that the third attitude is the decisive one. I call this angst, an apt internationalized German word that amalgamates anxiety, worry, and fear into one concept. The angst occurs because timorous (or creatively passive) developers are worried that they will create too strong an architectural statement that will cause consumers to turn away. Time and again, the argument is made that consumers want to see the familiar, that they are most comfortable when illusions of the past are created, and that a guest experience ensconced by fake towers, domes, arches, and pillars is guaranteed not to offend anyone. I believe that this attitude underestimates American consumers, for if you put this sentiment into other words, it is apparent that there is an inherent fear of doing something really new. In particular, I see an apprehension about creating a place with attitude and a strongly innovative point of view. Instead, the prevailing mindset seems to be: “Better to follow and repeat what works, rather than to lead. After all, Mediterranean allusions have worked for the famous Country Club Plaza in Kansas City since 1924! So what’s the problem? It serves its purpose.”

The Purpose Is the Problem

Love them or hate them, regional malls are honest places in the sense that their design reach doesn't exceed their grasp, although some may have morphed into community centers by default. Their purpose is unambiguous, and they usually deliver what they promise, which is a roof over a collection of shops. However, it is quite another matter to trumpet a development as a new town center and proceed with plans that provide little of substance beyond a few trees and a water feature. The current rush of bigger life-style town-center developments has spawned too many that are only about temporary, fantasy-theme housing for shops and restaurants, with some residences added in to make the numbers work.

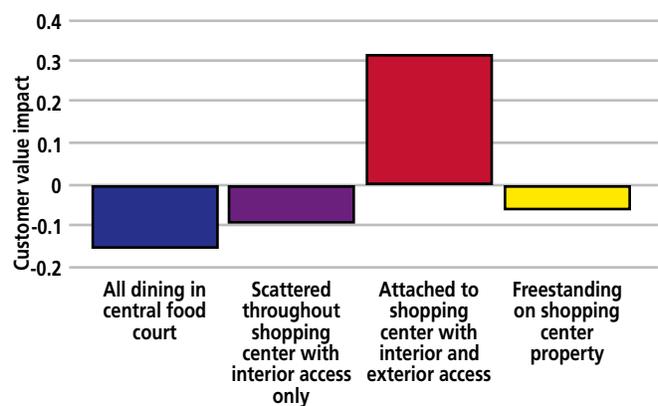
It is surely reasonable to demand more gravitas, in terms of architecture, spatial design, and mixed use choices. Instead of invoking Tuscany, perhaps the design should reflect distinct regional personality and authenticity, as in the case of the Metlox development. Beyond that, in the context of a town center, the thinking should also extend to sustainability, connectivity, public amenities, and legacy. We also must give greater thought to the needs of children and their parents. Just providing a few oversized family parking spaces will not do. Instead, I suggest a much more orchestrated environment that creates the ambience and public spaces for people to stroll and socialize, so that the line between public space and shops and restaurants is blurred, and the additional "feet on streets" (that is, the crowds of people) bring enjoyment and safety.

Hospitality's contribution. Hospitality brands and practitioners have such a huge part to contribute to making town centers attractive and successful that old developer habits must change. Right now there is too often an attitude of "shops first and second and third, and then we think about filling the other spaces." Immediate leasing pressures notwithstanding, I believe that such a policy ultimately diminishes the medium- to long-term value of the total development. As I explain later, the hospitality industry can add its focus on what consumers really want through customer-choice studies, and I'll give a restaurant-based example in a moment. But the hospitality industry must also make a contribution simply by insisting on being more integrated during the development process. Also, developers should, for instance, follow a proactive policy for attracting local businesses, such as a bringing in a favorite neighborhood restaurant, rather than rely on yet another national sandwich shop outlet. National restaurant chains are great magnets, to be sure, but local entrepreneurs add much needed personality to a place, creating benefits for everyone.

Off "the island." The restaurant chains themselves should perhaps reconsider some of their development policies, so that they can be included in life-style developments.

EXHIBIT 2

Customer choice study of mall dining options



A representative cross-section of U.S. consumers responded that food courts were their least favorite mall dining option. This graph indicates the underdeveloped potential of food and restaurant services in retail-led destinations. Moreover, the graph shows respondents' clear preferences for restaurant location and access.

Source: © Verma, Plaschka, Hanlon, Kalcher.

EXHIBIT 3

Island restaurant positioning



Inward-looking "island" locations for restaurants do not help to improve destination ambience or extend visitors' length of stay. Source: © MindFolio.

I suggest that restaurant chains reconsider their almost automatic existing preference for "island" locations within developments. These locations are built on the idea that customers will not come unless they can park at the door. I think that can be a mistake. Such an approach does not help in creating ambient density within a development, and certainly few people will enjoy strolling across large expanses of parking lots. Moreover, behavioral research in five major U.S. urban areas indicates clearly that consumers prefer restaurants that are connected to the rest of a development, albeit with an independent access (see Exhibits 2 and 3).

I don't wish to oversimplify the case here, as there is so much more to creating a dynamic town center. There must be, for instance, intelligent working and residential environ-

EXHIBIT 4

Town center developments with references to the past



...While (in contrast to Exhibit 1), developments in Naples, Florida, Glendale, California, Dos Lagos, California, and Las Vegas, Nevada (clockwise from upper left), all seem to refer to the past.

ments, communal amenities, sensitive scale, and permeability, among other attributes, but it is fair to argue that a whole spectrum of recent developments could have benefited themselves and their communities from engaging in more of such positive interrogation during the design development process.

With the greatest respect, it is a pity...

As for architectural angst, here is a telling example of one developer who created a retail and leisure jewel that was followed by what I consider a step sideways, namely, Rick Caruso, who is one of the more perceptive developers of the decade. Though he had created other centers, Caruso really shot to fame with The Grove at the historic Farmers Market in Los Angeles, which opened in 2002. Based on an authentic 1920s theme, he created the perfect mix of terraced restaurants, a spa, movie magic, and branded retail shops—all around a village green. Critiqued as not being commercial

by fellow developers, he proved them spectacularly wrong and went on to inspire the industry to copy his much more creative approach to place making.

Consequently, Caruso's next development was eagerly awaited: Americana at Brand, in nearby Glendale (see Exhibit 4).⁵ Given his penchant for innovating, it surprised me that Caruso chose to look to the past again for Americana's place-making. This location has no natural emotive anchor like the Farmers Market and the site yearned, I believe, for a "big statement that put Glendale on a bigger map." Instead, we see a Disneyesque tram (reprising a tram found at Farmers Market) and oodles of pastiche facades, domes, and street furniture. All this is in addition to engaging

⁵ Cara Mia Dimassa, "Americana Taking Shape," *Los Angeles Times*, April 1, 2008, B1 (<http://articles.latimes.com/2008/apr/01/local/me-americana1>).

landscaping and the obligatory fountain. It is all very pretty indeed, because Caruso believes that his customers will feel most comfortable and spend more money in a place that recreates a bygone Never Land. To be fair, there has been much attention to detail and his hard work deserves success.⁶ Rick Caruso welcomes, entertains, and tempts visitors better than most others, and he certainly understands the immense power of story telling. But it still is a pity, because he is one of those few industry leaders who could have turned the table on angst architecture in the U.S.'s mixed-use property business, while bequeathing Glendale more than a city theme park and welcome tax revenues.

Identifying Agents of Change?

Given the time frame of property developments, change will not happen quickly, especially given the economic turbulence of 2008. I do see at least six reasons for believing that change will eventually occur.

- (1) **Retail and hospitality brands** will vote with their feet. Strong and image-conscious brands are known to have refused to join particular development schemes because they could not bear to be associated with yet another fake Mediterranean design and project proposition. Such discrimination should also benefit hospitality and leisure operators, who still seem to underestimate their importance to the success of a new development. As this awareness grows, they will become more assertive in ensuring that their requirements and flair for creating a differentiated “sense of place” is part of any covenant just as much as any financial arrangement.
- (2) **The enormous impact and success of boutique hotels** should push the architectural envelope. The visionary and forward-looking energy of a few in the hospitality industry changed the way many consumers appreciate and experience design and zeitgeist. Also attractive is the premium that certain customers are prepared to pay for this experience.
- (3) I see **another role for the hospitality industry—as anchors**. This is a latent opportunity that has yet to be fully realized. Rules about what consumer business can anchor a development have cracked, and given the right mixed use context, hospitality brands will be extremely well placed to assume such commanding position.
- (4) **Las Vegas**, of all places, will create an architectural sensation with its vertical City Centre project that involves eight top design practices, from Libeskind and Jahn to Foster; all this in the midst of the biggest collec-

tion of fantasy buildings in the world. If it works (the first phase should open in 2009), this effort to “think forward” will be a potent stimulus to the American developer community.

- (5) **Consumers are becoming more aware** and appreciative of architectural statements. Wowed by national icons such as the Disney Concert Hall and the amazing new museums in New York, Seattle, San Francisco, Cincinnati, Denver, and Fort Worth (among others), the public will find the familiar fake increasingly boring. In that regard, some developer will surely reason that design can be a powerful differentiator. This being America, that designer will create an affordable new benchmark for others to follow.
- (6) **Sustainability**. Although sustainability may not be the hottest story in town as yet and frequently the first victim of a project’s “value engineering,” I anticipate new thinking, urgency, and demands for sustainability, in the wake of the petroleum scare of 2008. We might even see a strong best practice exchange between planning authorities across the Atlantic. For example the new mayor of London, Boris Johnson, joined with New York’s Michael Bloomberg to say as much within days of Mayor Johnson’s election.

Worth Looking over the Fence?

In thinking about changes afoot, it might also be worth considering a few lessons learned on both sides of the Atlantic. Recent European Community competition rules have forced real estate companies there to compete much more publicly and vigorously against each other to obtain preferred developer status for new or regenerating mixed use projects. That, in turn, has meant that more time and effort is expended up front in the process of working through demanding business and design concepts, guest experience and leasing scenarios, master plans that recognize the immense importance of attractive leisure and hospitality options, and sustainability strategies, among other issues. Articulating a formal and incisive vision right from the start is no easy task, but it offers inspiration for a whole community and provides all stakeholders, including architects, with the best possible client brief.

Applying Decision Science

Advances in scientific research methodologies to support CEO-level decision making include decision science, which focuses on consumers’ actual marketplace needs and wants, rather than their professed wants.⁷ Decision science does this by presenting scenarios that offer packages of various

⁶ For one assessment of popular reaction, see: “The Americana at Brand,” www.yelp.com/biz/the-americana-at-brand-glendale. Several reviews commented on Americana’s similarity to The Grove.

⁷ See, for example: D. McFadden, “The Choice Theory Approach to Market Research,” *Marketing Science*, Vol. 5, No. 4 (1986), pp. 275–297.

benefits and different levels of those benefits. By comparing consumers' responses to the various scenarios, one can isolate their actual desires. By contrast, simply asking consumers what they want invokes top-of-mind responses that may not truly represent deeply held desires.

I present here just three glimpses of significant insights that decision science research can yield.⁸ The graph I presented in Exhibit 2 regarding mall food courts comes from decision science. They are frequently “distress destinations” for customers. Meanwhile, as I hinted above, the value of specific restaurant locations in mall environments varies considerably. For restaurateurs who have wondered about whether it's worth operating tables on a patio or sidewalk, for instance, studies have shown that restaurants that provide indoor and outdoor environments are more than twice as popular as those which provide indoor seating only (see Exhibit 5). Still more advanced science tools enable development managers to simulate the most appropriate food concept and cuisine for different food-service formats—for example, refuel (grab and go), quick service, casual dining, and fine dining within a given location and demographic target market. In fact, the tool has the flexibility to simulate precise gender and age preferences, enabling managers to make extremely informed investment decisions (Exhibit 6).

The lesson in these findings is plain. There is life beyond telephone interviews! Hard-edged research does yield valuable economic metrics to gain competitive advantages and reduces the risks of leading from the front. For a more in-depth introduction to decision science refer to the following two articles: “Unlocking the Secrets of Customer Choices,”⁹ and “Predicting Customer Choice in Services.”¹⁰

Government Encouragement of Design Quality for the Public Realm

As a final point, I'd also like to suggest that American planning authorities should be more progressive and sure footed about design. A successful case study from Britain does provide some inspiration.

The British Commission for Architecture and Built Environment is a step beyond consultation, although it has no direct power. The CABE is appointed by the U.K. government and serves as a vetting advisory board for public planning authorities, peopled by practicing designers,

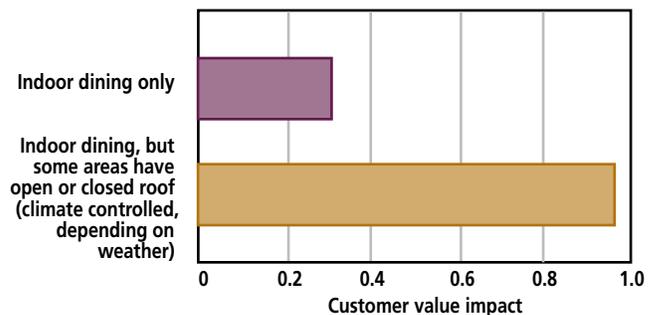
⁸ Graphs are created in association with Rohit Verma from Cornell University and others.

⁹ Rohit Verma, “Unlocking the Secrets of Customer Choice,” *Cornell Hospitality Report*, Vol. 7, No. 2 (2007), www.hotelschool.cornell.edu/research/chr/pubs/reports/abstract-14342.html.

¹⁰ R. Verma, G.R. Plaschka, B. Hanlon, A. Livingston, and K. Kalcher, “Predicting Customer Choice in Services Using Discrete Choice Analysis,” *IBM Systems Journal*, <http://researchweb.watson.ibm.com/journal/sj/471/verma.html>.

EXHIBIT 5

Effect of table placement



Decision science study shows that “exterior” tables will attract customers. A score of 0.6 or higher indicates a definite change of customer behavior. Source: Representative cross section of U.S. consumers. © Verma, Plaschka, Hanlon, Kalcher.

architects, and urban planners. Devoid of executive powers, this well informed peer group's job during the early phase of the design process is to influence and inspire development teams to create well designed buildings and public spaces. It is particularly pertinent during this current period of economic stress to remember that more thoughtful design is not necessarily correlated with more expensive design or construction. Whatever opinion one holds of government intrusion in design matters, CABE has earned respect all round, albeit grudgingly in some cases, and has undoubtedly raised the game significantly in the U.K.

Voluntary approach? Admittedly, North America's wariness of government interference makes actual government participation unlikely, but a voluntary industry initiative fits the American approach. One could set up a CABE-style peer group under the auspices of the Urban Land Institute, or perhaps a leading university. A development, awarded with such a committee's seal of approval, should then gain a positive advantage during the formal approval processes, creating a win-win situation for community, customers, and developers.

If nothing else, such an independent “Charette with Teeth” would provide an intelligent forum for a longer planning horizon for the nations' new town centers than the typical lifespan of the suburban mall. More to the point, such an approach just might help numerous new town and city centers to create some roots and to develop more characteristic settings for its restaurants, hotels, shops, services and amenities, and, not least, lasting legacies for the next generation.

A pause that refreshes? With the real estate market in free fall across the world in late 2008, it may seem peripheral and self-indulgent to some to talk about better design, ambi-

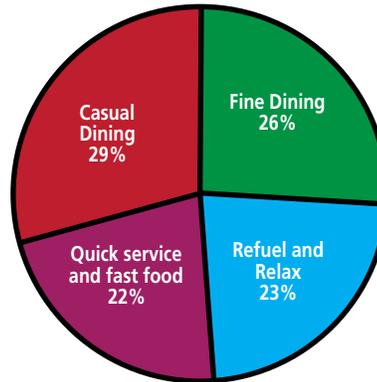
Market preferences for restaurant concepts, based on decision science study

Consumer demand with a retail-led environment (a mall), as calculated by visitation frequency and spending (N = 1,145)

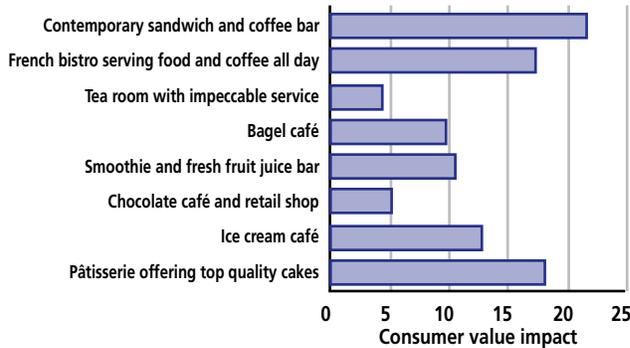
Gender of respondents

	Men	Women
≤ 24	2%	18%
25-34	3%	45%
35-54	4%	18%
≥ 55	1%	9%

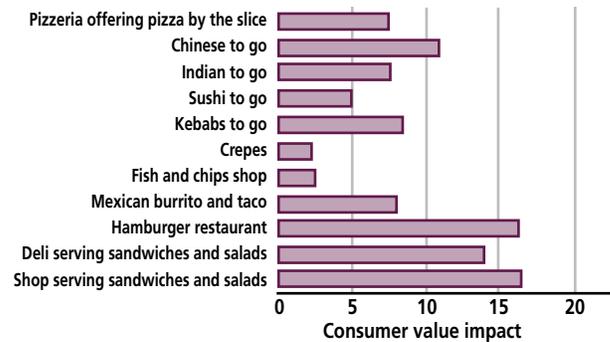
(Percentage of total)



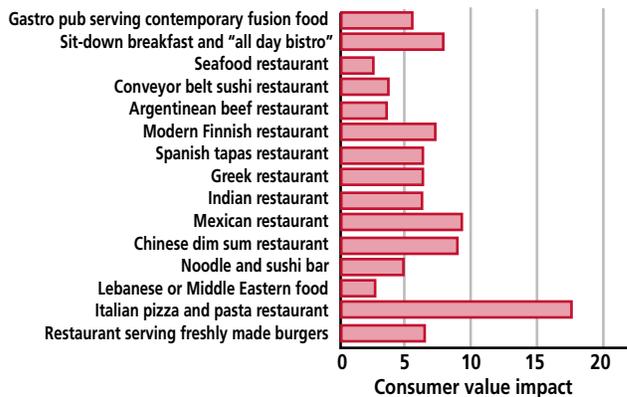
Refuel and relax



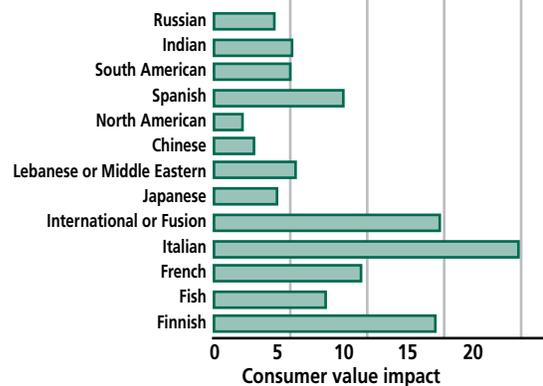
Quick service and fast food



Casual dining



Fine dining



ence, and the state of the public realm. Yet these attributes may just contain elements of the proverbial silver lining around the current dark clouds, for these two reasons:

- This is the moment for pursuing innovation. The economic realities actually provide some breathing space for practitioners that ought to be used gainfully for exploring new horizons; and

- Marginal developments, in terms of finance and anticipated demand, that are frequently amongst the blandest, will not be built and will not oversupply the market. Therefore, it is quite conceivable that fewer, but better developments will provide the more thoughtful and aspirational entrepreneur with justifiably higher rewards. ■

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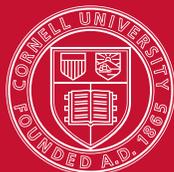
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