

Guide to the Allocation Plan, Pt 2

Creating a Coordinated Retail Strategy for Lower Manhattan

This paper is the second in a series aimed at informing the public about the distribution of federal funds for the revitalization of Lower Manhattan. In this edition, the retail components of projects that will benefit from these funds, including the World Trade Center Transportation Hub and the Fulton Corridor Revitalization Program, are discussed in the context of creating a retail strategy for all of Lower Manhattan.

August 2006

Retail can have a transformative effect on the streets and sidewalks of Lower Manhattan. It has the potential to improve the pedestrian environment, stimulate activity at the street level, and create a distinct identity. If done right, retail can hasten Lower Manhattan's recovery by making it a destination for shoppers and tourists, while also serving the district's growing residential community and sizable worker population. With this in mind, the approach and strategy for attracting new and diverse types of retail to Lower Manhattan deserves as much attention as other aspects of the rebuilding process, like public transportation, the creation of public spaces and commercial office development. The economic aspects of the retail trade, such as the type of jobs it provides, should also be considered as part of an overall retail strategy.

Along the east-west corridor of Fulton Street, as many as five new projects promise to add new retail, or change or improve existing retail in the coming years. At the west end, Brookfield Properties is considering doubling the amount of retail at the World Financial Center, by expanding east of the Winter Garden toward West Street. At the World Trade Center, the Port Authority will add up to 600,000 square feet of new retail when it rebuilds the World Trade Center Transportation Hub. The Fulton Street Corridor will benefit from a \$38 million grant from the Lower Manhattan Development Corporation (LMDC) to upgrade public spaces, streetscape and retail façades. Also on Fulton Street, the new Fulton Street Transit Center will include retail on the first and second stories. Finally, at the eastern end of Fulton Street, the South Street Seaport awaits the plans of its new owner, General Growth Properties, and potential changes to the existing Seaport retail space and mall.

The result of these new public and private investments will necessarily change the character of

Lower Manhattan to some degree; the question is how much and in what ways? Can the creation of retail be leveraged to achieve the goals articulated for the Lower Manhattan rebuilding process, such as creating a 24/7 mixed-use community, a more attractive public realm, and jobs for people who were impacted on 9/11? The creation of high-value retail at the World Trade Center site provides an opportunity to improve the historically low wages and high turnover of workers in the retail trade by pioneering new job standards and training programs. To date however, little attention on the part of the City, State, the LMDC, or the Port Authority has been directed towards thinking about what type of jobs the retail will create, or towards developing a coordinated retail strategy for Lower Manhattan.

A forum sponsored by the Civic Alliance on June 21st explored such a strategy by inviting a panel of professionals and public officials to discuss retail in Lower Manhattan. They included: Alexandra Akira of CB Richard Ellis, Jeff Eichler of the Retail Wholesale Department Store Union, Nancy Marshall of the Metropolitan Transportation Authority, Jenna LaPietra of the Port Authority of New York and New Jersey, and Keith O'Connor of the New York City Department of City Planning. This paper draws on the issues discussed by the panelists and audience at the forum and makes several recommendations for a retail strategy in Lower Manhattan.

Retail Today

The retail that exists today in Lower Manhattan primarily serves office workers, transit users, and tourists. "Convenience retail" is the most prevalent type, with establishments like fast-food restaurants, delis, shoe cobblers and nail salons interspersed among the Civic Center, Financial District, and World Trade Center vicinity. These businesses satisfy the demand of daytime workers for small purchases and define the character of Lower Manhattan's streets, which is not necessarily an attractive one. A lack of design standards for facades and signage make for a chaotic appearance and detract from the historic architecture of Lower Manhattan.

At the opposite end of the retail spectrum, a number of luxury brands such as Hermes, BMW and Hickey Freeman have come recently to Lower Manhattan's financial district. These upscale stores are ahead of the curve, market-wise, but reflect the growing purchasing power of the residential community in Lower Manhattan. Also in the financial district, an enclave of open-air restaurants thrives on Stone Street, recently renovated with the help of public

and private investments. The restaurants on Stone Street are some of the few sit-down dining options in Lower Manhattan that stay open in the day and evening.

Mall stores and restaurants can be found at the South Street Seaport, home to about 350,000 square feet of retail, including the multilevel shopping center on Pier 17. Originally conceived as a "festival marketplace" in the 1980s by the Rouse Company, today most of the retail consists of national chain stores that do little to reflect the Seaport's maritime history and offer nothing unique to attract New York's regional shoppers. The underperforming Seaport serves primarily a tourist market, and now awaits the plans of its new owners, General Growth Properties. An exception to the Seaport's lackluster performance is Bodies...The Exhibition, which drew record attendance. The success of the Bodies exhibit demonstrated that the Seaport can attract locals and tourists alike if it offers something unique and compelling.

The existing "convenience" retail, the newer high-end stores, and even tourist-oriented retail at the Seaport fill different market niches. Evidence suggests, however that an even greater variety of market segments could succeed in Lower Manhattan. A 2004 report by the Urban Land Institute proposed numerous "merchandising priorities" in Lower Manhattan that would enhance shopping options in the neighborhood for residents and workers, and even provide an alternative to midtown for regional shoppers and tourists. They include:

- Supermarkets
- Department stores
- Restaurants, including more formal and family restaurants
- "Lifestyle Stores," such as home décor, sports, electronics, etc.
- Fashion
- Entertainment, including museum shops, interactive venues and theatres

To attract these types of retailers to Lower Manhattan, Urban Land Institute stressed the importance of forming a vision for the entire district, creating a sense of urgency to fulfill that vision, and then following it through to execution. The report discussed the opportunity for retail to shape the identity of an area and transform it into a shopping destination, in the way that places like Madison Avenue or SoHo are known for their retail offerings.

Lower Manhattan now has the potential to ratchet up its retail profile with simultaneous investments in a variety of retail projects along the Fulton Street Corridor. However, this depends on the coordination of these projects into one bold strategy. Several of these projects are profiled below.

WTC Transportation Hub

Before September 11th, the World Trade Center was home to the third-most successful shopping center in the nation, grossing an average of \$980 per square foot. It was a popular place, not only with office workers in the World Trade Center, but among local residents who did their shopping there and spent rainy Saturdays and Sundays socializing and strolling in the mall. Understandably, the Port Authority is eager to replace the lost retail space and proceed with plans approved pre-9/11 to expand the total square feet of retail to about 600,000.

Comments on the Port Authority's plans by the civic, architectural, and Lower Manhattan communities have focused on the ratio of above-grade to below-grade space, urging an emphasis on street-level retail that will enliven Lower Manhattan streets. In response, the Port Authority has aimed to strike a balance between above-grade and below-grade retail, promising to locate about 350,000 square feet of retail above grade and 250,000 square feet below grade. Designed by renowned architect Santiago Calatrava, the Transportation Hub includes a central, light-filled atrium surrounded on all sides by several levels of retail. This retail atrium comes closest to replacing the lost World Trade Center "mall" and is likely to attract regional shoppers to a unique mix of stores.

There is some controversy over the Port Authority's plan to enclose the stretch of Cortlandt Street between Church Street and Greenwich Street into a glass covered Galleria. This plan would allow the Port Authority to build more retail in the complex, by providing more access to the retail sublevels, and sky bridges across Cortlandt Street to enliven retail on the second stories of buildings. The plan was opposed by the Department of City Planning and civic and professional associations including the Civic Alliance, New York New Visions and the American Planning Association New York Chapter. Community Board 1 did not take a position on the Port Authority's proposal, split between its membership's desire to maximize the amount of retail at the World Trade Center and their preference for open and active city streets downtown.

Fulton Street

The Mayor's 2002 Vision for Lower Manhattan and the LMDC's 2005 Fulton Street Revitalization Plan both targeted Fulton Street as an underperforming street that could be transformed into a "premier retail, arts and entertainment thoroughfare for Lower Manhattan." To achieve this vision, Fulton Street would need to surmount numerous challenges, including the underinvestment by landlords in existing properties, the subdivision of storefronts into "sliver spaces" with street frontage as narrow as 10 feet, narrow sidewalks in some places and overly-wide sidewalks in others, and uncertainty about whether Fulton Street will remain closed or open to vehicle traffic along its length.

But Fulton Street also has a number of attributes that present opportunities, including the fact that it runs river to river, connecting the World Financial and Trade Centers on the west of Lower Manhattan to the South Street Seaport on the east. Fulton Street has the greatest concentration of continuous retail storefronts in Lower Manhattan, a supply of historic 18th century and early 19th century buildings (currently obscured by contemporary signage and facades), and a history of

serving as a cultural and market hub.

The LMDC recently proposed the use of \$38 million in federal revitalization funding for a Fulton Corridor Revitalization Plan that would include the improvement of two existing open spaces, the creation of two new small parks, a retail and façade improvement program, an upgrade of existing streets and sidewalks, and a "street wall" program to narrow the overly-wide block of Fulton between Gold and Pearl Streets.

Audience members at the recent Civic Alliance retail forum voiced concerns about the retail and façade improvement program, both in regards to the feasibility of working with complicated landlord-tenant relationships and the possibility for such a program to displace existing retail stores. The contention of numerous audience members was that many of these stores are independent, minority or immigrant-owned business, or provide low-cost goods to municipal employees and working class people.

The retail and façade improvement program is only now being shaped by the New York City Economic Development Corporation (EDC) and the Department of City Planning. Even with great attention to retaining existing tenants, it seems likely that investments in modernizing interior retail spaces and exterior building facades would usher in higher paying tenants. The effect of such a transition may be to displace existing fast food and convenience stores to side streets of the financial district while transitioning Fulton Street to a place that can attract restaurants, entertainment and regional shoppers. This is a policy decision the LMDC, the City and the EDC should

specifically address as they launch their program, so as not to leave existing retailers in the dark about their future.

South Street Seaport

In 2004 General Growth Properties acquired the Rouse Company, the former owner of the South Street Seaport, including the 350,000 square feet of retail located there. This change in ownership, along with the departure of the Fulton Fish Market has prompted speculation about the future of the Seaport, including the strategy for retail and the fate of the Pier 17 building and its shopping center.

SeaportSpeaks, an organization of concerned residents and local stakeholders, held a two-day workshop in March 2006 to engage residents, architects, civic leaders, waterfront advocates, city officials, developers, and others to consider the changing nature of the Seaport Historic District and to make recommendations about the Seaport's future. Their final report stressed the importance of maintaining the authenticity and "historicity" of the Seaport and the need to attract activities that are in keeping with the Seaport's maritime character and history. Regarding retail, they recommend "one-of-a-kind retailers" and fine restaurants – particularly seafood – that would act as destinations. Reacting to the Rouse Company's festival marketplace legacy at the Seaport, SeaportSpeaks stressed the need to serve Lower Manhattan's growing residential population and local business community by creating "real neighborhood" services like grocery stores and excellent restaurants.



Above: Conceptual plan of renovations to Fulton Street; **Below:** Diners on Stone Street in Lower Manhattan



At the Civic Alliance’s retail forum in June, a group of the Seaport’s current store owners attended, seeking more information about its future and General Growth’s plans. These retailers expressed frustration with the uncertainty at the Seaport and fears about losing their leases. Their remarks echoed the fears of others about the fate of stores on Fulton Street and what impact substantial changes will have on the existing stores. As in the case of Fulton Street, these retailers need more information from General Growth Properties and the City about plans for this area.

Recommendations for a Retail Strategy

The concentration of up to five new projects in Lower Manhattan that will create new retail or infuse capital into existing retail districts presents a tremendous opportunity. However, without the proper coordination, vision or launch of these new projects, the tremendous opportunity to upgrade the public environment, attract new shoppers and sustain quality stores could be lost. The following four recommendations, drafted in consideration of the issues discussed at the Civic Alliance’s Retail Forum, form the basis of a coordinated retail strategy for Lower Manhattan.

Serve multiple markets. One of the main challenges facing retail in Lower Manhattan is how to serve a number of different markets, including tourists, regional shoppers, transit riders, office workers, and residents, at the same time. Appealing to these groups will require a mix of stores that can accommodate their varying needs. Retail developers should aim to broaden the mix of stores beyond convenience retail and tourism retail to capture the untapped demand of local residents, workers, and regional shoppers for entertainment, fashion, lifestyle stores, groceries, and restaurants.

Coordinate independent retail projects.

The Port Authority, New York City EDC, the

Department of City Planning and General Growth Properties should work together to plan for how the retail in their respective projects will complement each other. Representatives of the MTA and Brookfield Properties should also be part of these discussions to address new retail at the MTA’s Fulton Street Transit Center and the possible expansion of retail space at the World Financial Center, respectively.

Create a sense of place and identity for retail in Lower Manhattan. The concentration of new retail projects along the axis of Fulton Street presents the opportunity to create a new retail district in Lower Manhattan. This can be achieved by creating a sense of place and identity through public realm improvements, coordinated signage, and communication among the different agencies and private developers.

Equally important to creating a sense of identity is selecting a unique mix of stores that reflect the character of Lower Manhattan. Similar to the MTA’s strategy at Grand Central Terminal of attracting a majority of locally-owned stores, Lower Manhattan should strive for a unique mix of stores that can be found nowhere else.

Harness the value that will be created to benefit existing stores and retail workers.

Many of the audience members who made comments at the Civic Alliance forum on June 21 expressed their fears that public investments in existing retail districts like Fulton Street will raise rents, forcing out existing retailers in favor of new and more expensive stores. While some displacement of tenants may be inevitable, particularly if divided “sliver” storefronts are consolidated, retail tenants willing to upgrade their storefronts and take advantage of the City’s incentive program should be given the opportunity to do so. This will require the City to formulate a strategy early in the process for retaining existing retailers or for assisting relocation within Lower Manhattan if

Case Study: Grand Central Terminal

The retail in Grand Central Terminal, generally heralded as a success story, is the result of a deliberate effort on the part of the Metropolitan Transportation Authority (MTA) to attract retailers that reflect the diversity and quality of New York City. According to Nancy Marshall, who oversaw the retail at Grand Central, the MTA strictly controlled the mix of tenants, striving for a balance of 70 percent local and 30 percent national retailers. By hand selecting unique and locally-owned retailers, Grand Central Terminal shops have become an iconic part of New York City.

necessary. As a general principle, public programs and investments to improve retail downtown should aim to harness the anticipated benefits and increased value and direct it to existing stores, workers and residents.

These public investments to improve downtown retail should act as a lever to create better jobs and opportunities for retail workers. For example, as the WTC Transportation Hub is likely to regain its position as one of the highest-grossing shopping centers in the country, the Port Authority has the opportunity to pioneer higher jobs standards (living wages, benefits, training and career ladders) by stipulations in its retail leases. The Port Authority’s leverage is the opportunity it provides to lease space in a highly lucrative shopping environment. Its responsibility stems from the use of federal funds to redevelop the World Trade Center and its accompanying retail. Its incentive is the promise of better trained, happier and friendlier employees at the WTC retail stores, and the satisfaction of promoting the type of job standards the Port Authority provides to its own employees to the employees working in its facilities.

To Rebuild Downtown New York

Civic Alliance

Convened by Regional Plan Association

Credits:

Written by the staff of Regional Plan Association.
Regional Plan Association
4 Irving Place, 7th Floor
New York, NY 10003
www.civic-alliance.org
www.rpa.org

We extend our gratitude to the co-sponsors of the Civic Alliance June Forums 2006, including:
Community Board 1
Community Board 3
Labor Community Advocacy Network
New York New Visions
Rebuild Chinatown Initiative
World Trade Center Survivors' Network

This project is supported by a September 11 recovery grant from the American Red Cross Liberty Disaster Relief Fund.

Regional Plan Association
NJ CT
NY

4 Irving Place, 7th Floor
New York, NY 10003

Return Service Requested