Creating Walkable Places

Compact Mixed-Use Solutions

Adrienne Schmitz and Jason Scully

Urban Land Institute

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Library of Congress Cataloging-in-Publication Data
Schmitz, Adrienne.
Creating walkable places : compact mixed-use solutions / Adrienne Schmitz and Jason Scully.
p. cm.
ISBN-13: 978-0-87420-938-9 (alk. paper) 1. City planning—United States. 2. City planning—Health aspects—United States. 3. Pedestrian areas—United States. 4. Real estate development—United States. 5. Mixed-use developments—United States—Case studies. I. Scully, Jason. II. Urban Land Institute. III. Title.
HT167.S264 2006
307.1'2160973—dc22
2006029466

10 9 8 7 6 5 4 3 2 1
Printed in the United States of America.

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Case Study

Centennial Lakes

Edina, Minnesota

Centennial Lakes, in Edina, Minnesota, a first-ring suburb about ten miles (16 kilometers) southwest of Minneapolis, is unusual among infill projects for two reasons. First, at about 100 acres (40 hectares), it is large for an inner-ring infill site; properties of sufficient size for such redevelopment are hard to come by. Second, the project's pedestrian focus is unusual within such strongly automobile-oriented surroundings.

Centennial Lakes includes a mix of office, residential, entertainment, and retail uses, all interconnected by a large, pedestrian-oriented public park that offers walking trails, a lake, and a range of recreational uses. The project's economic success derives, in large part, from the park: without it, most of the uses would share little more than a common boundary. But by designing the park as the focal point of the site plan, the planners created an amenity that adds aesthetic and monetary value to the project.

Centennial Lakes has become a popular place for walking, biking, and other activities for residents of the entire region.
United Properties

Centennial Lakes includes five Class A office buildings totaling 940,000 square feet (87,330 square meters); a 106,000-square-foot (9,850-square-meter) medical office building; 250 residential condominium units; 96 luxury townhouses; an eight-screen, 39,000-square-foot (3,620-square-meter) movie theater; a 220,000-square-foot (20,440-square-meter) retail center; and a 25-acre (ten-hectare) city park.

Site

The Centennial Lakes property is surrounded by a variety of automobile-dominated retail, residential, and office uses. France Avenue, a six-lane, north-south arterial corridor, forms the western border of Centennial Lakes. Southdale, the first enclosed mall in the United States, lies one mile (1.6 kilometers) to the north, along France Avenue, and an interchange with Interstate 494 is one half-mile (0.8 kilometers) to the south. Much of the land between Centennial Lakes and Southdale is occupied by retail uses. To the south and east of Centennial Lakes, residential and office uses predominate. One nearby development, Edinborough, is another notable mixed-use project that opened in the late 1980s. In fact, it was the public/private cooperation during Edinborough's development process that set the bar for Centennial Lakes.

Centennial Lakes is unusual for its pedestrian focus in such automobile-oriented surroundings. The project includes a mix of office, residential, entertainment, and retail uses, all interconnected by a public park. United Properties

Centennial Lakes is divided into three parts: north, central, and south. The 25-acre (ten-hectare) park, which features a ten-acre (four-hectare) lake, meanders through all three parts. A 1.5-mile (2.4-kilometer) walking trail rambles along the lake's edge. The park also includes a mini-golf course, an amphitheater, a lawn-bowling green, and extensive landscaping. Centennial Lakes Park is owned and operated by the city of Edina.

Pedestrian access to the site from the west is limited by France Avenue, a busy roadway. Access from the east is slightly better, but the vast majority of the pedestrians at Centennial Lakes arrive by vehicle or live there.

The site plan for Centennial Lakes was based on thoughtful consideration of the surroundings. Office, entertainment, and retail uses are sited on the west, along France Avenue, and residential uses are to the east, adjacent to the surrounding residential uses.

Development Process

A substantial portion of the 100-acre (40-hectare) site was formerly used as a gravel pit. In 1986, when the owners of the Hedberg Gravel Pit put up the property for sale, the offer generated interest from developers around the country. The city of Edina, however, had a number of requirements for the last large piece of developable commercial land within its borders: the city wanted a public park and moderate-income housing to be part of the mix of uses for the site; it also needed a stormwater retention system large enough to handle 34 acre-feet (41,940 cubic meters) of water from a 100-year rainfall.

United Properties, which came forward with a master plan for a mixed-use development that would balance the city's desires with the realities of the market, was chosen as the master developer for the site. United Properties is a Twin Cities–based brokerage, property management, and development firm that employs approximately 400 people and owns approximately 5 million square feet (464,500 square meters) of commercial real estate, with another 25 million square feet (2.3 million square meters) under management contracts.

Because United Properties specializes in office and industrial properties, several other developers with additional expertise were involved in the Centennial Lakes project. BRW, Inc. (now URS Corporation) served as master planner; Larry Laukka, now of Laukka-Jarvis, Inc., developed the residential portion; Gabbert & Beck developed the retail center; and Eagle Enterprises developed the medical office building.

The city of Edina approved the plan for Centennial Lakes in 1988. A planned unit development zoning code—essentially written after the plan was finished—accommodates the variety of uses planned for the site.

Much of the project was financed by the sale of general-obligation bonds supported by two 25-year tax increment financing (TIF) districts, the first established in 1977 and the second in 1987. The bonds will be repaid by 2014, when the second district is set to expire. The TIF plan financed the acquisition of the park and the construction of all the improvements within, including the Centrum Building, a social hall on the site. It also paid for the street and utility improvements for the entire project, and for land acquisition and site improvement for the condominium project.

Planning and Design

Centennial Lakes Park serves both functional and aesthetic purposes. The key element of the project, it gives the entire community a public gathering space: an attractive

Centennial Lakes Park serves both functional and aesthetic purposes. In addition to providing attractive views and recreation for residents and workers, the lake is a stormwater retention facility for the entire southeastern quarter of the city. United Properties

Condominium residents enjoy lake views and recreational amenities, including a putting green. Sam Newberg

body of water with recreational uses around its perimeter. It also links the different land uses together in a way that sets the project apart from other development in the area. The lake, which receives stormwater from the entire southeastern quarter of the city of Edina, is a creative response to the area's stormwater retention needs. By controlling drainage at the southwest corner of the lake, the city can maintain a relatively consistent water level even during dry spells, and thereby improve the lake's appearance and value as an amenity.

The developers could have created a more typical stormwater retention pond, with a smaller surface area, but the difference in water levels would have been much greater in the event of heavy precipitation. (This difference between high and low water levels is called bounce. In the case of Centennial Lakes, the large surface area of the lake results in a lower bounce: a 100-year rainfall, for example, would result in only a three-foot [0.9-meter] rise in the water level.)

With its variety of recreational uses, Centennial Lakes Park is very popular, even during the cold Minnesota winters, among area residents and the employees of the businesses that occupy the development. The outdoor public spaces are heavily used by the lunchtime office crowd, as well as by workers from other nearby office buildings.

Because of the trail network, it is possible to navigate the entire site on foot without crossing a street. The trails pass under the two east-west roads that bisect the development. Each use at Centennial Lakes is well integrated with the park, providing access and views for visitors, residents, and workers.

Most of the recreational uses are located in the central portion of the site, near the Centrum Building, a 7,000-square-foot (650-square-meter) social hall that can be rented for banquets, receptions, and other events, and that also serves as a warming house for ice skaters. Outdoor facilities surrounding the building include a mini-golf course with grass greens (as opposed to the more common artificial turf), an amphitheater for musical and theatrical performances, and a lawn-bowling green. Paths run for 1.5 miles (2.4 kilometers) around the lake, providing an attractive and convenient place for walking, jogging, and biking. In the summer, remote-control sailboating is a popular activity; paddleboats are also available for rent. In the winter, a Zamboni grooms most of the lake for ice skaters.

Most of the design challenges BRW faced at Centennial Lakes related to the park, and how to best take advantage of access and views. Although a view of the park is considered a plus for residential and office buildings, the physical layout of Centennial Lakes Plaza, the shopping center, posed a challenge. The center backs up to the park, which created two problems: first, truck access is usually at the backs of stores, but it would not have been desirable for park patrons to be exposed to a steady stream of truck traffic or a view of the loading docks. BRW solved this problem by siting the truck access at the side of the building's lower level and creating a shared truck dock and common corridor within each retail building. Second, the blank wall of the retail center faced the park. This problem was largely mitigated by landscaping: a mix of evergreen and deciduous trees conceals the tall back wall of the retail center. (Some of the restaurants at Centennial Lakes Plaza do overlook the park, taking advantage of the views.)

Construction and Financing

A complex, multiphase development, Centennial Lakes took 13 years to build, beginning in 1988 and ending in 2000. Most development began in 1988 or shortly thereafter and was completed by 1992. The Coventry townhouses and Centennial Lakes Office Park were begun in the mid-1990s and finished by 2000.

Financing was the most complex aspect of the Centennial Lakes project. When the development first began, in the late 1980s, market conditions, including a weak office market, made it impossible to build all the components at once. In addition, United Properties did not have sufficient resources to acquire the entire site unless it could generate income from every use.

Thus, in a complex arrangement, United Properties obtained a contract for deed from the owners of the Hedberg Gravel Pit, then assigned the contract to the city of Edina. This approach enabled United Properties to purchase and develop each portion of the site as the market allowed. As an incentive from the city, the owners were allowed to hold the property tax free while awaiting payment from United Properties for each portion of the site. In effect, the city acted as intermediary, allowing the buyer to develop portions of the site according to market demand, and promising the owners that they would incur no penalty by waiting for payment for the property. In 1988, United Properties acquired a substantial portion of the site for $12 million, enabling the firm to begin development and allowing the city of Edina to begin work on the park.

The city contribution to the development totaled approximately $40 million, including $11 million for park improvements and amenities. Another portion of the city funds for the project went to support the construction of moderately priced housing. Through a program run by the city, income-qualified buyers of units at the Village Homes at Centennial Lakes were offered a second-mortgage arrangement that essentially provided an upfront discount of up to $20,000 on each unit. The second mortgages were held by the city at a 5 percent interest rate (market interest rates at the time were over 10 percent), and payoff was required when the resident sold. Approximately 100 of the 250 original buyers of the Village Homes units took advantage of the second-mortgage program.

Since the opening of the Village Homes at Centennial Lakes, prices have increased dramatically, and sellers have been able to pay off their second mortgages with ease. The second-mortgage program has been tremendously successful, and the city of Edina continues to distribute the pool of money in the program to other housing projects.

Marketing

The long-term economic success of Centennial Lakes has surpassed the developers' expectations. Success can be attributed to a number of factors:

- The project's location within the Twin Cities metropolitan area;
- The project's proximity to downtown Minneapolis, which is ten miles (16 kilometers) to the northeast, and to the Minneapolis–St. Paul Airport, which is five miles (eight kilometers) to the east;
- The project's proximity to a large employment base in the southwestern Twin Cities area;
- The built-in park and other public amenities, which draw visitors from a large area.

The lake, path, and other recreational facilities are very attractive amenities for office workers. Sam Newberg

Sales and leasing in all portions of Centennial Lakes reflect its success. Leased properties have attained higher rents and occupancy rates than have competitive properties in the area, and prices for the residential units have increased dramatically since opening.

Both residential projects at Centennial Lakes have drawn buyers from all over the Twin Cities, not only because of the project's recreational amenities and pedestrian orientation, but also because residents can walk to shopping, entertainment, and employment. Coventry townhouses, which had initial sales prices between $195,000 and $310,000, are now selling for nearly $600,000. Homes overlooking the lake command even higher prices.

A large percentage of buyers are from the southwestern region of the metropolitan area. Many buyers of the luxury townhouses at Coventry have lived outside Minnesota and returned; some own one or more other properties, and simply wanted a maintenance-free unit in a premier location for the months they spend in the Twin Cities.

At the Village Homes at Centennial Lakes, buyers are singles or couples ranging in age from the late 20s to the late 60s; at Coventry, the age range is from the late 20s to the 70s. The age range at the Village Homes was as expected, but the developers were expecting mostly empty nesters at Coventry, and were surprised by the number of young buyers. Over the years, a few households have included preschool children, but none of school age.

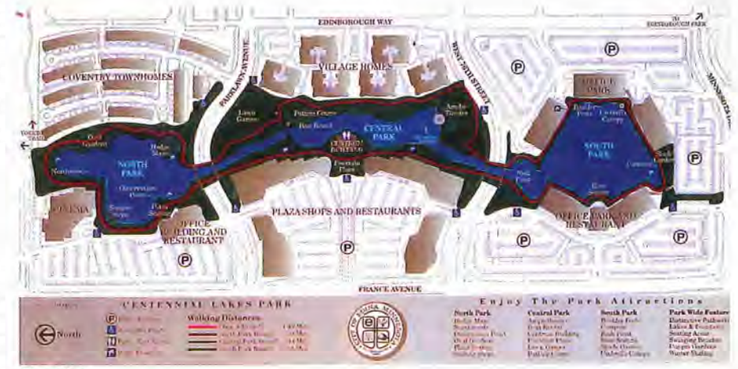
Since their construction, between 1995 and 2000, the five office buildings at Centennial Lakes Office Park have performed better, in terms of both rents and occupancy rates, than competitive properties. Even during the economic downturn that began in late 2000, vacancy rates at Centennial Lakes were half the average rate for the rest of the southwestern metropolitan area. For example, in late 2003, vacancy rates at Centennial Lakes were around 8 percent, whereas rates in the overall southwestern metropolitan area were between 16 and 18 percent. Rents at the Centennial Lakes office park are approximately $1 to $3 per square foot ($11 to $32 per square meter) higher than rents for competitors' space. Tenant retention has also been greater than at other office properties, and firms with offices at Centennial Lakes have an advantage in employee recruiting that is attributable, in part, to the project's amenities.

Despite significant competition in southeastern Edina, including Southdale and the Galleria (another nearby enclosed shopping center), Centennial Lakes Plaza has generally remained fully occupied since its construction. In addition, the retail center shows average sales of about $300 per square foot ($3,229 per square meter); the nationwide average for recently built community shopping centers is about $200 per square foot ($2,153 per square meter).

Management

Centennial Lakes Park, the crown jewel of Edina's park system, is managed and maintained by the city through a variety of funding sources. Under an innovative agreement with the developer, the city is responsible for park maintenance and operations, but about half the park's operating budget comes from association fees paid by the office and retail tenants, residents, and theater. Office tenants, for example, pay $0.20 per square foot ($2.15 per square meter) per year toward park maintenance; residents' fees are $15 per month, and are paid directly to the city of Edina.[4] Other income sources include the Centrum Building's snack bar concessions, putting-green fees, equipment-rental fees, and fees from the rental of the Centrum Building. The remaining 20 percent of the $1.5 million annual budget is provided by the city of Edina, partly through a trust fund.

Throughout Centennial Lakes, parking is shared: visitors using the recreational facilities can park in the office, retail, or theater parking lots. This arrangement works relatively well because peak parking demand varies for the different uses. At the medical office and theater, for example, which share a surface parking lot and structured parking, peak hours of use do not overlap.



Site plan.

Experience Gained

Centennial Lakes is a vibrant, self-contained, pedestrian-oriented development. Thanks largely to the project's well-planned park, which interconnects all the uses on the site, the development is more economically successful—in terms of sales prices, rents, and occupancy rates—than competitive projects, and very likely more successful than a typical, separate-use suburban design would have been.

Centennial Lakes serves as a reminder that large, complex projects often require public and private cooperation. Few developers can purchase large sites outright for mixed-use development and hold them until the market is right for each use. The city of Edina was proactive about what it wanted to see on the site. City officials' willingness to work with the development team was critical to the project's chances of success, and the city's flexibility has paid off.

Centennial Lakes

Edina, Minnesota

Land Use Information

Use	Acres/ Hectares	Percentage of Site
Buildings	70/28.3	70
Landscaping and open space	30/12.1	30
Total	100/40.4	100

Gross Building Area

Use	Square Feet/Square Meters
Office	940,000/87,330
Retail	225,000/20,900
Residential	346,000/32,140
Theater	39,000/3,620
Medical office	106,000/9,850
Total	1,656,000/153,840

Gross Leasable Area

Use	Square Feet/Square Meters
Office	845,000/78,500
Retail	197,000/18,300

Retail Information

Percentage of gross leasable area occupied	100 percent
Average annual rents (per square foot/square meter)	$15/$161
Typical length of lease	5–10 years
Average annual sales (per square foot/square meter)	$300/$3,229

Tenant Classification	Number of Stores	Gross Leasable Area (Square Feet/Square Meters)
General merchandise	4	60,000/5,570
Restaurants, food service	7	35,000/3,250
Clothing, accessories	3	50,000/4,650
Home furnishings, electronics	3	65,000/6,040
Gifts, specialty	2	7,500/700
Financial services	1	2,500/230
Total	20	220,000/20,440

Development Costs

	In Thousands
Site Acquisition Cost	$24,000
Construction Cost	
Office	$85,700
Retail	$8,893
Residential	$56,862
Subtotal, construction costs	$151,455
Total	$175,455

Residential Information

Unit Type	Unit Size (Square Feet/Square Meters)	Number of Units Sold	Current Prices
Condominiums	720–1,500/67–139	250	$99,000–$272,000
Townhouses	1,920–2,875/178–267	96	$245,000–$595,000
Total		346	

Development Schedule

Planning started	1986
Site purchased	1988
Construction of Centennial Lakes Plaza, Centennial Lakes Medical Center, Centennial Lakes Theater, and the Village Homes at Centennial Lakes	1988–1992
Construction of Centennial Lakes Park, in phases, as adjacent uses were developed	1988–1996
Construction of Coventry at Centennial Lakes	1994–1999
Construction of Centennial Lakes Office Park	1995–2000
Sales and leasing started	
Retail, medical offices, condominiums	1989
Townhouses	1993
Office park	1994
Project completed	2000

Development Team

Owner/Developer
United Properties
Minneapolis, Minnesota
www.uproperties.com

Master Planner
URS
Minneapolis, Minnesota
www.urscorp.com

Retail Developer
Gabbert & Beck
Edina, Minnesota

Residential Developer
Laukka-Jarvis Development Company
Minneapolis, Minnesota

Some of the project's success can be traced to two elements that work in combination: a strong sense of place, and a pedestrian-oriented plan that links destinations. Area residents can meet for a cup of coffee and a stroll; couples can catch a movie and a round of miniature golf; and office workers can walk to lunch—all without crossing a street. The project has become well-known as one of the best places for walking in the metro area. The density of the development creates synergy and activity: office employees, restaurant patrons, and residents all use the park, the paths, and the recreational facilities.

While the site itself is well planned for pedestrian use, it would be even more strongly pedestrian oriented if surrounding land uses and streets were better designed to enable more people to arrive on foot. Pedestrian-oriented planning and development does not stop at the property line; it must be woven throughout a community. Connectivity between developments is essential, but only with cooperation among developers and between the public and private sectors will such connectivity become commonplace.

Centennial Lakes is unique within the Twin Cities and beyond. Whether shopping, working, living, or engaging in recreation, people experience Centennial Lakes as an authentic environment in which they enjoy spending time. The project is so popular and successful that numerous other communities and developers are seeking to emulate its pedestrian-oriented plan in new developments elsewhere.