

Bay Area Aging Malls and Office Parks Transformation White Paper

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Introduction

Transforming aging shopping malls and office parks into vibrant mixed-use neighborhoods is seen as one possible solution by Bay Area residents and elected officials to the region’s severe housing shortage. Developed by the Association of Bay Area Governments (ABAG) and Metropolitan Transportation Commission (MTC), Plan Bay Area 2050, the region’s long-range transportation plan and Sustainable Communities Strategy, includes this strategy in its suite of housing protection, preservation, and production policies. Together, this comprehensive approach is intended to address our housing challenges and advance equity, creating a future in which every Bay Area resident “enjoys the bedrock of a strong, vibrant community: a safe, stable, affordable, high-quality home.” In the Plan, equitable housing also means increased access to opportunity — such as well-resourced schools and well-maintained transit — for all, regardless of race or income. The Plan’s equitable housing approach is designed to enable “more housing choices for families that have historically had few options and ensuring that families have the ability to stay in their homes and maintain the community connections and cultural fabrics of their neighborhoods, without being priced out.”¹ Within this context, implementing the *Transform Aging Malls and Office Parks into Neighborhoods* strategy emerged as a top implementation priority in the Plan Bay Area 2050 Implementation Plan.

Approach

To develop an informed implementation strategy and a pilot program that would support local governments, provide useful lessons for the next regional plan, and eventually achieve the envisioned equity outcome for the Bay Area, ABAG/MTC staff reviewed recent research, interviewed staff in jurisdictions with major mall and/or office park redevelopment projects, and conducted case studies to answer these questions:

- What are the challenges and barriers to aging malls and office parks redevelopment projects in the Bay Area and other metropolitan areas?
- What roles should the public/local governments play?
- What are the opportunities to provide more affordable housing and advance equity?

Local staff engagement involved reviews of key sites included in Plan Bay Area 2050, adopted local plans and development proposals, and interviews with planning and economic development staff from thirteen Bay Area cities—Cupertino, Dublin, Milpitas, Mountain View, Newark, Richmond, San Francisco, San Jose, San Leandro, San Rafael, Santa Clara, Santa Rosa, and Sunnyvale. These interviews provided staff with a more nuanced understanding of issues that Bay Area jurisdictions face and opportunities for collaboration between regional and local agencies. Interviews with developers, and academic and industry experts supplemented these local perspectives with a broader set of viewpoints. Finally, detailed analysis of selected case studies in regions throughout North America uncovered opportunities for taking informed actions and delivering successful redevelopment projects.

¹ MTC/ABAG, 2021, [Plan Bay Area 2050, Chapter 2: Housing](#)

Aging Malls & Office Parks: Current Outlook

U.S. Shopping Mall Outlook

Many studies and reports have observed that shopping malls and mall owners are increasingly faced with shifting consumer preferences and competition, particularly with the rise of e-commerce, which rose to account for 13.3 percent of total retail sales in the United States in the second quarter of 2021 from around 5 percent in the first quarter in 2012 (US Census, 2021). E-commerce is projected to grow to make up 27 percent of total sales in 2026². Coresight Research estimates that 25 percent of the nation's roughly 1000 existing malls will close over the next three to five years³, with the pandemic accelerating a demise that was already underway. While this wave of closures will likely leave behind empty space that threatens to negatively affect community vitality, it also presents an opportunity to create value for communities.

Proactively planning for the reuse of declining malls is not a novel community development idea. By 2019 of the roughly 1,500 enclosed centers in the U.S., about 1,000 were still being used for their original purpose, while about 500 had closed or changed to a different use⁴. Aging malls have been repurposed into various uses: another retail format, mixed-use, and warehouse are the top three successor uses according to the National Association of Realtors⁵. Some were also repurposed as community colleges and churches while others have been fully or partially redeveloped into sports arenas, parks, and medical facilities.

U.S. Office Market Outlook

During the pandemic, office vacancy rates have increased significantly as employees socially distance and work at home. In 2022, the office sector's long road back continues. Nationally, while office-using employment increased by 1.9 percent in the first half of the year, office absorption has continued to be negative. Office vacancy rates continued to edge higher in the second quarter of 2022, which was partially due to increased supply⁶. Downtown office market recovery diverges from suburban office market recovery. In the second quarter of 2022, downtown vacancy rates continued to increase while the suburban vacancy rate fell – this was the first time in more than 20 years that the downtown vacancy rate surpassed the suburban rate. While average asking rents of all markets remained stable, increasing 1.4 percent year over year, rent growth in suburban markets continued to outperform downtowns. While uncertainty remains for the office market post-pandemic, a shift in culture where,

² Thomas, L (2021) More retail pain ahead: UBS predicts 80,000 stores will close in the U.S. by 2026, *CNBC*, April 5, 2021. Available at <https://www.cnbc.com/2021/04/05/store-closures-ubs-predicts-80000-stores-will-go-dark-by-2026.html> (Accessed: June 10, 2021)

³ Thomas, L (2020) 25% of U.S. malls are expected to shut within 5 years. Giving them a new life won't be easy, *CNBC*, August 27, 2020. Available at <https://www.cnbc.com/2020/08/27/25percent-of-us-malls-are-set-to-shut-within-5-years-what-comes-next.html> (Accessed: June 10, 2021)

⁴ Steuteville, R. (2019) Malls to mixed-use centers and other opportunities. *Congress for the New Urbanism*, October 8, 2019. Available at <https://www.cnu.org/publicsquare/2019/10/08/malls-mixed-use-centers-and-other-opportunities> (Accessed: June 15, 2021)

⁵ Molla, R (2020) The death and rebirth of America's department stores, in charts. *Vox*, December 2, 2020. Available at <https://www.vox.com/recode/21561046/death-rebirth-department-stores-retail-charts> (Accessed: August 8, 2022)

⁶ CBRE (2022) U.S. Office Vacancy Rate Edges Higher in Q2. July 26, 2022. Available at <https://www.cbre.com/insights/figures/q2-2022-us-office-figures> (Accessed: August 8, 2022)

across all age groups, most people now desire to live and work in dynamic places with walkable environments and a mix of uses⁷, provides opportunities for communities to rethink their office parks.

Bay Area and Subregional Context

Whether or not it is viable to redevelopment aging malls and underutilized office parks depends on a number of factors, including market conditions, property performance, location, and the age and condition of buildings themselves. The performance of shopping malls and office parks in the Bay Area and its submarkets varied during the early phases of the pandemic and the recent recovery.

While the Bay Area market for shopping centers is stronger than the national market, within the Bay Area, the East Bay remained the most challenged submarket in the second quarter of 2022. According to Moody's Analytics, which tracks 77 metro areas in the US, during the second quarter of 2022 national vacancy for neighborhood and community shopping center was 10.3 percent. In comparison, vacancy rates of the same property class in San Francisco and San Jose metro areas were the lowest, at 4.9 percent and 5.6 percent respectively⁸. Reports from John Cumbelich & Associates, which track submarkets within the Bay Area, showed that although the South Bay had the lowest occupancy rate during the second quarter of 2020, East Bay shopping centers had lowest occupancy rate in the second quarter of 2022⁹.

The Bay Area's downtown office market recovery was slower than the U.S average, while suburban office market outperformed the rest of the nation¹⁰. Downtown office vacancy rate of the Bay Area was 18.1 percent compared to 15 percent at the national level in the first quarter of 2022. The suburban office vacancy rate for the Bay Area was 11.1 percent, compared to the nation's 15 percent. Within the region, office markets in San Mateo County and Silicon Valley were much stronger than San Francisco, East Bay, and North Bay, with lower vacancy rates and more new supply in the first quarter of 2022. Notably, San Francisco's office vacancy rate climbed to 24.2 percent in the second quarter of 2022.

These variations, reflecting the strength and outlook of each submarket, provide hints about when and in what form redevelopment could occur. Around seventy malls and office parks in the Bay Area were identified as major reuse sites in Plan Bay Area 2050. A recent staff review of these sites suggests that just over one fifth are in some phase of the redevelopment process. The majority of sites planned for reuse are located in Alameda and Santa Clara Counties. Within these projects, 43,000 to 49,000 housing units have been proposed. Discussions with developers and analysis of these projects suggests that the ideal conditions for a reuse project include a functionally obsolete property, or a strong residential real estate market with "built in" demand for entertainment, food and local services. This is exemplified by Stonestown Mall, located adjacent to San Francisco State University, where a [redevelopment proposal](#) calls for preserving an increasingly popular food court, repurposing much of the remaining mall, and replacing existing surface parking with a mix of homes, public spaces, services, and a hotel.

⁷ JLL (2016) Research Report: Fully Engaged. Available at https://www.jll.co.uk/content/dam/jll-com/documents/pdf/research/global/jll_fullyengaged_report.pdf (Accessed: September 2, 2021)

⁸ Moody's Analytics (2022) Q2 2022 Preliminary Trend Announcement. July 5, 2022. Available at <https://cre.moodyanalytics.com/insights/cre-trends/q2-2022-preliminary-trend-announcement/> (Accessed: August 8, 2022)

⁹ John Cumbelich & Associates (2022) Bay Area Regional Shopping Center Quarter Report Q2 2022. Available at <https://cumbelich.com/wp/wp-content/uploads/JCA-RSC-Report-Q2-2022.pdf> (Accessed: August 8, 2022)

¹⁰ Colliers (2022) Colliers U.S. Office Outlook Q1 2022. May 25, 2022. Available at: <https://www.colliers.com/en/research/colliers-us-office-outlook-q1-2022> (Accessed, August 8, 2022)

Challenges and Opportunities: Top Four Findings

As complex as mall and office park redevelopment projects are, there are no disagreements on the major challenges involved. Although no silver bullet appears to exist, consensus is emerging about the key ingredients of a successful redevelopment project in a variety of contexts. Together, these challenges, opportunities, and success factors fall into four primary categories: **Market Conditions**, **Community Vision**, **Regulatory Framework**, and **Mobility and Physical Improvements**. An additional cross-cutting challenge critical to implementing Plan Bay Area 2050 is equity.

1. Market Conditions

Finding 1.1: Understanding Market Context and Complexities

Successful redevelopment projects of any kind require market intelligence, and large-scale mixed-use mall and office park transformation projects are no exception. Industry reports suggest that the dynamics of the local marketplace, demographics, and worker preferences are particularly important for these projects. Up-to-date market research can help developers and local government staff identify which mix of features and uses are likely to produce a successful project¹¹. At the same time, relying too heavily on past data—which will inevitably fail to predict the future—can also lead to an inflexible plan that is unable to respond to future opportunities. As redevelopment of aging malls and office parks are unavoidably multi-stage processes, understanding the market also means preparing for unforeseen circumstances, adapting to change, and considering the short, medium, and long-term viability of existing and envisioned future uses.

Finding 1.2: The REA Encumbrance

It is also critical for communities to understand the unique obstacles involved in advancing large scale commercial redevelopment projects, particularly mall redevelopment. Even in an exceptionally strong real estate market, converting declining single-use commercial sites to mixed-use projects may prove challenging due to competing and overlapping claims on the site created by ownership and leasing agreements. Although malls, for example, may be operated by a single entity, such as Brookfield Properties or Westfield, and may appear to be held under single ownership, many different parties must cooperate to move forward a redevelopment project. Among the most cited obstacles are reciprocal easement agreements (REAs). REAs lay out the covenants, conditions and restrictions for a large development project and govern what the parties to the agreement must do, be they landlords, developers, operators, or some other entity. These agreements address considerations such as access to parking and the location of entrances and exits. But they might also refer to agreements regarding prohibited, restricted, and exclusive use protections, maintenance obligations, etc.

¹¹ Moura, S. (2020) Breathing New Life into Old Office Parks. *NAIOP*, Winter 2019/2020. Available at <https://www.naiop.org/Research-and-Publications/Magazine/2019/Winter-2019-2020/Business-Trends/Breathing-New-Life-into-Old-Office-Parks> (Accessed: July 12, 2021)

Reciprocal Easement Agreement is an operating agreement among owners, major tenants and/or ground lessees that sets forth certain rights and benefits in favor of each of the parties, imposes certain obligations upon the parties and creates certain easements which are a burden upon or a benefit to the respective parcels (McAndrews, 1972).

REAs are typically executed by adjacent property owners and tend to apply to retail, office and mixed-use projects. The REA grants certain easements for the benefit of the various stakeholders and establishes a governing regime for the stakeholders relating to access, parking, construction, maintenance obligations, architectural theme, prohibited, restricted and exclusive use protections, site plan controls, signage rights and other operational requirements. Without an REA, the developer or the major retailer could build whatever and whenever it wishes and could conceivably prevent the other party from using its parcel for parking, access or utility lines.

Restrictive easement agreements may be effective in perpetuity, and thus “run with the land,” and bind future owners. The REA also might have a more limited term, but they are usually operative for long periods of time. Owners can’t make any changes until the anchor tenants agree. The limitations these agreements will impose on future redevelopment should be carefully analyzed; working through the reciprocal easement agreement needs to be a major focus of a redevelopment effort.

*McAndrews, J (1972) Operating Agreement – Control Within Shopping Center Complex. *Real Property, Probate and Trust Journal*, Vol 7, 812-820.

Although not insignificant for some office park sites, these challenges are particularly acute for shopping centers. In many cases, anchor stores and tenants have relied on REAs and made it difficult for mall owners, as markets change, to pursue and implement redevelopment plans. The existence of REAs means that significant and insignificant changes alike require consent from multiple parties. Further complicating these arrangements is that not all parties are privy to each other’s agreements. The ability of mall owners and department store anchors to redevelop the property in ways that introduce non-retail uses in a site controlled by a REA depends largely on the specifics of the document, the site’s operational and financial performance, and community interest and demand^{12 13}.

Ownership and tenant data for Bay Area malls and office parks reveal the challenges ahead. As of 2021, of 62 Bay Area shopping centers/malls identified as opportunity sites in Plan Bay Area 2050, whose ownership data is available in CoStar, only 19 are owned by a single owner, 36 places have 2-5 owners, 5 have 6-10 owners. Park & Shop in Concord and Union Landing in Union City have 17 and 16 owners respectively, highest among all. Meanwhile, Westfield Oakridge in San Jose is occupied by 213 stores, the highest number of the 52 malls with number of store data available. Solano Town Center in Fairfield, Westfield Valley Fair in Santa Clara, and Great Mall in Milpitas all have over 200 stores on site. On the other end the spectrum, places like Shops at Hilltop in Richmond, Home Depot Center in Santa Rosa,

¹² Hoffman, J. (2018) Mixed-Use Centers, Part I: The Economics of Place-Making - How to Blend Residential Uses Into the Retail and Services Mix. *ICSC*, February 20, 2018. Available at https://www.icsc.com/uploads/t07-subpage/Mixed-Use_Center_%28Hoffman%29.pdf (Accessed: June 10, 2021)

¹³ Sicola, M. & Stapp, M. (2018) Transforming Class B and C Retail Centers: An Overview - Key Considerations for Repurposing, Repositioning and Redesigning. *ICSC*, January 29, 2018. Available at https://www.icsc.com/uploads/t07-subpage/Transforming_Class_BC_Centers.pdf (Accessed: June 10, 2021)

Mountain View Shopping Center in Mountain View, and Eastridge Mall in San Jose each have fewer than 5 stores. Similarly, most of the properties in eight office parks that were included in the opportunity sites in Plan Bay Area 2050 are also currently occupied by multiple tenants.

Most of the time, the responsibility to address the complex issues of REAs falls on the legal teams of owners, tenants, and developers. However, understanding the basics of these agreements and the parties bound by them would help local staff set expectations and plan accordingly. Building on this knowledge, local staff could facilitate meetings among owners and help owners understand the visions of their communities and the value proposition of mixed-use redevelopment. For example, staff from the cities of San Leandro and Dublin in the Bay Area mentioned that relying on existing relationships, economic development department staff in each city engaged in one-on-one conversations with mall tenants and property owners about each communities' vision for redevelopment to help move the process forward.

2. Community Vision

Finding 2.1: The Need for Proactive and Strong Local Government Leadership

Strong municipal leadership is essential in working with redevelopers of potential mall and office parks sites. The location and accessibility of many aging malls make them viable candidates for offices, residential development, hotels, and new retail. Yet faced with a declining commercial site, the do-nothing scenario is often the most attractive to property owners, which can pull down the surrounding community. In many cases, the financial incentives facing owners lead them to hold on to and neglect the property. The preferred strategy is often simply to obtain rents that cover real estate taxes and minimal operating expenses. Eventually, another investor may offer cash for the land value of the mall, creating a substantial incentive for the original investor who has already depreciated the value of the building asset. There is no guarantee that a new owner will redevelop the site rather than either secure a development permit to further boost its resale value or hold the site in anticipation of continued appreciation.

There are a variety of potential approaches that the public sector can take. On one end, local governments can wait for landowners or developers to initiate the redevelopment process, typically by submitting a development proposal. On the other end, local governments can lead the process by engaging community members and adopting master and specific plans, or even purchase the property and hire developers.

According to nationwide research and interviews with both private and public sector sources, cities that take the lead have consistently seen redevelopment take place more rapidly and in a manner that is more consistent with a community's aspirations. Cities that wait for developers to act first have typically either seen limited redevelopment or received a development proposal met with community opposition. Although conventional wisdom may hold that developers will respond to market signals and come to the city with development proposals when profitable, in the absence of a clear, community-supported plan the lack of a clear path to approval—coupled with the issue of REAs—deters many landowners and developers from advancing a project.

In analyzing the case of the Sunrise Mall (Sacramento, CA) redevelopment process, Blanco (2021) observes that when a City's Planning and Economic Development Departments initiate and lead a community process, it can provide a community-wide economic and social benefit (in this case, a Main

Street Center). The Sunrise Mall example also demonstrates how early and substantive community involvement can help identify and resolve issues that concern the larger community, thus avoiding community opposition to redevelopment plans¹⁴.

In the Bay Area, the planning and redevelopment processes for NewPark and Vallco malls illustrate the contrast between city-initiated vs developer-initiated redevelopments. Located in the City of Newark in the East Bay, by the early 2000s, NewPark Mall was experiencing declining revenues and increased vacancies. Staff had reached out to the property owner, but not succeeded in initiating a discussion regarding redevelopment. To jump-start the process, Newark’s Community Development Director launched a 2-pronged approach, engaging community members in a visioning process for the mall’s future while also holding study sessions for council members to explore the potential options for redeveloping the site. The ensuing multi-year planning process resulted in an adopted Specific Plan that combines residents’ desire for public spaces that allow the mall to serve as a center of community, more than 1,000 housing units to help meet the city’s housing needs and RHNA obligation, and a smaller but more commercially viable retail footprint. The first phase of this mixed-use project broke ground in 2021, with additional phases coming before city council for approval.

Cupertino’s Vallco Mall was also declining by the turn of the 21st century. Cupertino identified the mall as an opportunity site in the Housing Element of its 2013 General Plan but did not initiate a planning process for the mall nor did the city rezone the mall to permit housing. Shortly after the adoption of Senate Bill 35, the mall owner sold the site to Sand Hill, a Bay Area developer. Sand Hill proposed a mixed-use office, retail and residential project with a housing component made up of 51% deed-restricted affordable units. Due to the provisions of SB35—which requires local governments that have made limited progress toward meeting their RHNA obligations to permit residential development projects above an affordability threshold that meet all “objective” criteria in the City’s General Plan—Cupertino had no legal grounds for denying or requiring significant revisions to the project. Following community outrage, the City initiated its own Specific Plan for the site in an effort to take hold of the development process. Because the Plan was adopted after the development proposal was submitted, the developer was only subject to the more permissive general plan density requirements in place at the time, and free to ignore the Plan’s more scaled back development envelope. Following an [unsuccessful legal challenge](#), the developer demolished the mall in 2020 and rebranded the project “the Rise.” The developer successfully submitted an updated development proposal in June 2022 that extends the timeline for the project under SB35 and makes minor adjustments to unit sizes and reduces the number of parking spaces. Despite receiving entitlements, the project faces soil contamination concerns and no clear timeline exists for completing the project, including the affordable housing component.

3. Regulatory Framework

Land use and zoning regulations set the legal framework for permitted uses and development envelope, as well as the design and quality of public spaces, that creates a relatively stable and predictable system for guiding future development. In a redevelopment project involving changes to land use and zoning

¹⁴ Blanco, H. (2021) Failing Malls: Optimizing Opportunities for Housing. *UC Davis*, June 1, 2021. <https://escholarship.org/uc/item/4jd481mt>

specifications, it is important to use zoning as a tool to provide broader public benefits and achieve multiple goals such as equity and public health, which often means deploying zoning as a framework for bargaining with developers. It is also recommended by our interviewees that local staff set the standards as comprehensively and objectively as possible.

Findings 3.1: Land Use Mix: Understanding the Fiscal Context is Key

For California local governments, it is tempting to view the replacement of a aging shopping center with a mixed-use development as a drain on a city's tax base due to lost sales taxes. However, research suggests that redevelopment that includes a variety of land uses is likely to provide a net increase in a jurisdiction's tax base—particularly when weighed against a continuous decline in sales tax revenues.

In an analysis of California Senate Bill 6 of 2021, which, if passed, would have established housing as an allowable use on any parcel zoned for office or retail uses, land use modelling consultant Urban Footprint (2021) found that in almost all circumstances, the replacement of a single use retail center with a mixed-use development combining residential and commercial development would result in a positive fiscal impact. The magnitude of the expected positive impact varied based upon the density of the new residential development, the density of the existing commercial use that is redeveloped, and the volume of sales-taxes per square foot of existing commercial space¹⁵.

As Blanco (2021) points out in her research on optimizing opportunities for housing on the failing mall sites, the fact that commercial and residential properties are assessed at the same property tax rate means that local governments are unlikely to be face negative fiscal impacts from the mixed-use redevelopment of declining commercial properties. As a result of the under-supply of housing and the over-supply of retail, new residential development typically has significantly higher property values than commercial development¹⁶.

Finding 3.2: Land Use Mix: Prioritizing Affordable Housing

California local governments also are required to meet Regional Housing Needs Allocations (RHNA) every 8 years. Producing housing at all income levels, and especially increasing the production of affordable housing, is an important goal under the RHNA framework, as well as an important step to tackle the state's and Bay Area's affordability challenges. Affordable housing could be part of a condition of approval or part of a community benefits package when jurisdictions grant developers higher density or other development concessions, however, many redevelopment projects have not intentionally prioritized increasing the share of deed-restricted affordable units in the redevelopment plans. Exceptions include Tysons Corner, an office park redevelopment project in suburban Washington, DC, estimated to have achieved 19% of all units being affordable. Blanco (2021) lists a few existing incentives, tools, or requirements for increasing the housing supply in California, including Density Bonus Law (expanded via AB 2345), Multifamily Bond programs, Enhanced Infrastructure Financing Districts, SB 35, SB 6 and AB 115¹⁷.

¹⁵ Distefano, J. (2021) Can Commercial Redevelopment Take a Bite Out of the California Housing Affordability Crisis? *UrbanFootprint*, June 16, 2021. Available at <https://medium.com/urbanfootprint/can-commercial-redevelopment-take-a-bite-out-of-the-california-housing-affordability-crisis-fed80ba85b63> (Accessed: June 17, 2021)

¹⁶ Blanco, H. (2021) Failing Malls: Optimizing Opportunities for Housing. *UC Davis*, June 1, 2021. <https://escholarship.org/uc/item/4jd481mt>

¹⁷ Blanco, H. (2021) Failing Malls: Optimizing Opportunities for Housing. *UC Davis*, June 1, 2021. <https://escholarship.org/uc/item/4jd481mt>

Finding 3.4: Knowing When to Rezone

An overwhelming message, particularly from people involved in real estate transactions, was that local governments are well-served to initiate a planning process identifying a wider range and greater intensity of uses but should wait to rezone a property until sufficient up-front planning had been conducted and, ideally, until a detailed development agreement has been forged with binding commitments. As one economic consultant said, “zoning is currency” and giving this currency away to landowners without first securing some type of commitment to redevelop a site consistent with public objectives simply transfers wealth to a fortunate landowner. Because landowners are often not the party that redevelops a property, rezoning may make these landowners hesitant to sell their property without a significant increase in sale price—reducing the potential profitability of a redevelopment project and, as a result, the financial feasibility of integrating a higher share of affordable housing into a market-rate project.

Finding 3.5: Managing Parking Over the Life of the Redevelopment Process

Office park and shopping center parking lots, designed to meet parking standards based on the busiest day of the year, are rarely used to capacity. Parking lots also have a negative impact on the environment, character, and quality of life in a community whether it is stormwater runoff, heat island effect, lighting, aesthetics or pedestrian and driver safety. The redevelopment of malls and office parks into mixed-use communities creates opportunities to set new parking requirements that are right for the project (often overall reduced parking demand) and aim to promote alternative modes of transportation. Reducing or eliminating parking minimums has the added benefit of reducing development and construction costs for affordable housing projects and optimizes land for affordable housing that would otherwise be dedicated to parking. MTC and ABAG developed a parking policy handbook that guides local staff in developing parking policies that better align with environmental, social and equity priorities¹⁸.

Since redevelopment of existing malls and office parks is a long-term process, associated with the challenges stemming from REAs, updating parking standards often means managing the demand of existing tenants, new development, and proposed uses with a temporal view and being flexible as the process evolves.

In the case of NewPark Mall (Newark, CA) city community development staff noted that it was important to show the community that there was enough parking and down the road the amount of parking needed would be significantly less than the number of existing parking spaces. Staff then changed the zoning and reduced the parking ratio and made sure the site’s new roadway network would allow parcels to be used initially as parking lots but become residential development sites in the future.

Creative placemaking can be one way to temporarily retrofit parking spaces while accelerating the redevelopment process. In Tysons (formerly Tysons Corner), The Tysons Partnership carried out various placemaking initiatives including the interim use of surface parking lots and vacant parcels for temporary festivals. Events planned on underutilized sites in Tysons created excitement and interest that helped establish Tysons as a place and engage new residents and neighbors as the area completes its redevelopment. In addition to events programmed by the Tysons Partnership, developers in Tysons

¹⁸ Visit MTC/ABAG [Parking Policy Playbook website](#).

and Fairfax County are embracing the idea of temporary uses to enliven spaces slated for future redevelopment such as interim park space and interim beer gardens.

Finding 3.6: Creating Complete Communities

In the end, the goal is not simply improving aging malls and office parks to increase revenues. Local governments have the opportunity to create new neighborhoods and provide opportunities for current and future community members in an equitable way. Creating complete communities in the redevelopment of malls and office parks means including the provisions of affordable housing and public amenities, such as libraries, schools, community and arts centers, athletic tracks, a network of open spaces and parkland in the redevelopment plans (e.g. Tysons Corner Comprehensive Plan), designing walkable and pedestrian friendly streets and public space networks, and ensuring economic vitality and public health of the community by providing spaces for experience based retail and healthy food providers. Leveraging design, amenities, and technology to create a new identity and a community with a sense of place is also paramount. Rebranding is often also a critical component of a successful redevelopment strategy¹⁹. For example, Sunrise Mall's (Citrus Heights, CA) 'Sunrise Tomorrow' rebranding effort has been seen by local staff as a successful project to engage the public's reimagining of the transformation of the property. Building out public amenities in early stages of the redevelopment process helps create a sense of place, which can attract potential residents and increase the likelihood of success of the project. For redevelopment projects in the City of Burnaby (Metro Vancouver, British Columbia, Canada), city staff pointed out that the redevelopment has created new public amenities and, as a result, been associated with public benefits. This led to broad public acceptance, which has been the key to success.

4. Mobility & Public Infrastructure

Finding 4.1: Creating active street network

Constructing an urban grid of streets is a central feature of successful mall and office park redevelopment projects. Many interviewees stressed the importance of creating a street network that increases pedestrian activities and connectivity as well as provides alternative active transportation routes. Not only do pedestrians shop but they create the links and conversations that form the core of communities. This could be a contentious process as different users and stakeholders sometimes have contradictory preferences. For example, in Tysons, when developing the comprehensive plan, many developers argued that the proposed street widths, when combined with the new grid of streets, would reduce the developable area on their properties such that it would no longer be profitable. In the end, the Planning and Zoning Committee stood its ground with the proposed grid of streets because of its centrality to the Comprehensive Plan's vision. Although Tyson's has succeeded in reducing anticipated auto trips and introducing mobility options, completion of the street grid has been slowed by the need to fund and build the grid with each new development project. According to local staff involved in the project, a sitewide funding and phasing strategy might have helped alleviate this challenge and accelerated the grid's completion.

¹⁹ Kimsey, R. (2020) There's Opportunity at the Office Park. *NAIOP*, Fall 2020. Available at <https://www.naiop.org/Research-and-Publications/Magazine/2020/Fall-2020/Business-Trends/Theres-Opportunity-at-the-Office-Park> (Accessed: July 12, 2021)

Finding 4.2: Improving Transit and Leveraging TDM

In addition to traffic patterns, transit demand also changes. Blanco (2021) finds that since the redevelopment of malls will typically bring new populations of residents and office workers, transit options already available at the mall sites may not meet their needs. She recommends jurisdictions to use surveys or public workshops and hearings to collect feedback shortly after they start working at the site to establish the new or additional transit and other transportation needs of new residents and office workers to the site²⁰. Designing transit to be friendly to communities and designing communities to be friendly to transit should both be considered. At the same time, comprehensive TDM plans that aim at lessening the demand on the transportation system by reducing single-occupancy vehicle trips during peak periods, and expanding the transportation choices available to residents, employees, and visitors should also be developed as part of the redevelopment plan.

Next Steps

The redevelopment of malls and office parks is a complex and challenging task for local decision makers, staff, and community residents. It is also a long-term project that requires local leadership and dedication and continuous reviews and stewardship. Avery Bowron (2010) in studying the lessons of transit-oriented redevelopment in Tysons concludes that in order to promote alternative visions of growth, one must become a knowledgeable agent, with a clear understanding of the inner workings of the development process and how best to manipulate them²¹.

A 2015 ULI report identifies the following responsibilities for the public sector in successful partnerships with private sector developers:

- undertake market-based planning to facilitate development,
- build community support,
- assist with site assembly,
- develop community infrastructure to support development,
- undertake selective site preparation,
- streamline development approval processes,
- lower the cost of capital through financing tools,
- reduce effective project costs through government grants, cost sharing, or philanthropy,
- overcome regulatory and other institutional barriers,
- enhance project value through public investment or increased density,
- anchor the development with a public facility lease or facility, and
- moderate operating cost differences (e.g., taxes, labor costs, training, etc.).

*ULI (2015) Public/Private Partnerships: From principles to Practices

Typically, there is a lack of capacity and expertise in local governments related to large-scale redevelopment in general and mall and office park redevelopment in particular. Following the Plan Bay Area 2050 Implementation Plan, MTC and ABAG are in the early stages of partnering with local

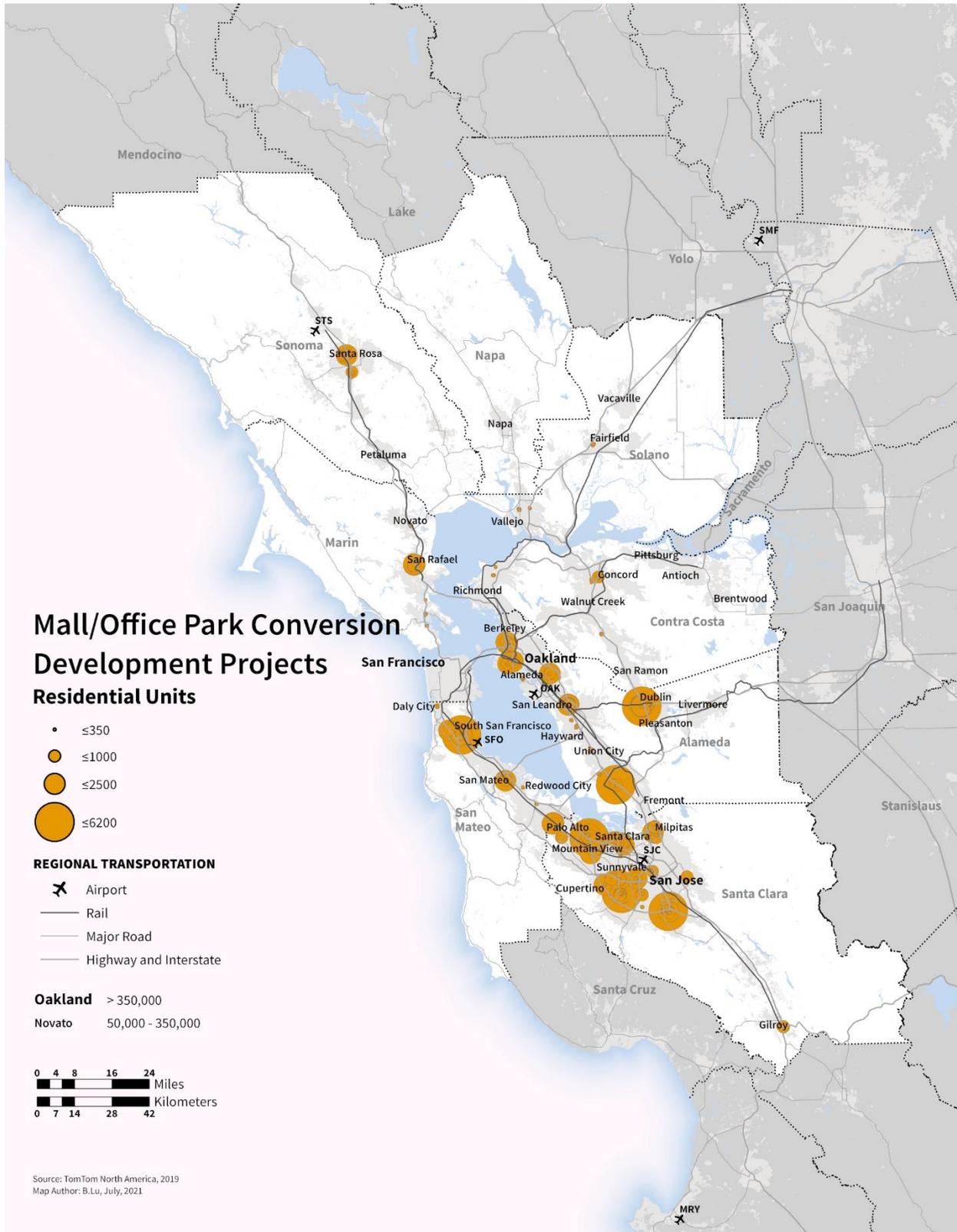
²⁰ Blanco, H. (2021) *Failing Malls: Optimizing Opportunities for Housing*. *UC Davis*, June 1, 2021. <https://escholarship.org/uc/item/4jd481mt>

²¹ Avery Bowron, "Visions of the Future as Spaces of Engagement: The Political Economy of Transit-Oriented Redevelopment in Tysons Corner, VA," *Cities in the 21st Century* 2, no. 1 (2010), 16.

jurisdictions to study and accelerate the redevelopment of aging malls and office parks. Some potential actions identified by interviewees, which could be led by the regional agencies or delivered through partnerships, include:

1. Lead expert panels and provide regionwide training for local staff to understand the challenges of the redevelopment process and develop template tools and resources.
2. Develop a website for sharing resources and best practices on an ongoing basis.
3. Identify funding streams and seek strategic alignment with regional and state programs to provide capacity-enhancing support, as well as housing-supportive infrastructure for projects that will increase the supply of affordable housing.
4. Develop a pilot program with local jurisdictions to move projects forward and deepen the learning of the strategic role MTC/ABAG could play in accelerating the process. The program should prioritize projects that will provide more opportunities for transit-oriented development and large number of housing units, especially affordable units. A first step in this direction is the Priority Sites Pilot program anticipated to launch in late 2022 or early 2023.
5. Develop lessons learnt and program strategy ideas to inform upcoming regional plans.

Bay Area Malls/Office Parks Sites Map



Bay Area Malls/Office Parks Challenges and Opportunities Summary Table

Category	Challenges	Opportunities & Solutions	Promising Practice(s)
Planning Process	Getting Started —Owner is not motivated to pursue redevelopment	<ul style="list-style-type: none"> • Engage community in visioning process • Adopt Specific Plan creating financial incentive to redevelop or sell to developer, linked to community benefits • Engage public or non-profit institutions seeking additional space to acquire site or occupy vacant floorspace (especially appropriate for weak markets) 	Highland Mall: Joint redevelopment led by community college and developer following extensive planning process (Austin, TX)
Planning Process	Limited Staff Capacity and/or Expertise —Staff lacks the time or relevant technical expertise to assess developer proposals or negotiate effectively	<ul style="list-style-type: none"> • Planning Grants and Technical Assistance • Hire consultant to provide an independent feasibility assessment 	City of Mountain View: Independent real estate consultant assesses feasibility of major redevelopment projects (Mountain View, CA)
Planning Process	Conflicting Visions —Developer proposal at odds with community vision or adopted Plan.	<ul style="list-style-type: none"> • Adopt standards (e.g. permitted densities, land uses, site design) that: a) incentivize developers to pursue a Development Agreement or b) specify the required urban form, community amenities, or land use mix required for approval • Balance specificity with the flexibility to adapt to changes during buildout 	NewPark Mall: Detailed development standards that followed community visioning process ensured that project included a variety of uses, including a retail component (Newark, CA)
Planning Process	Ownership Structure —Site has multiple owners and/or leaseholders—some of whom choose to stall project	<ul style="list-style-type: none"> • Dedicate local project staff to facilitate coordination and negotiate project details • Fully leverage “carrots and sticks” available to city (permits, taxes, etc.) to incentivize “holdout” owners or lessees to participate in redevelopment • Also see solution in “Getting Started” above 	Dublin: Urban Land Institute (ULI) Technical Advisory Panel brought together landowners to establish a common plan (Dublin, CA)
Regulatory Framework	Balancing Commercial and Residential Uses —Elected officials fear a loss of local sales tax revenue; Community members prioritize services over housing	<ul style="list-style-type: none"> • Detailed market analysis • Educate city officials and community on long-term retail outlook and benefits of mixed-use • Require minimum level of local services in plan 	NewPark Mall: Council study sessions with retail experts demonstrated the value of a mix of uses

Regulatory Framework	Complete Communities— Local plan or developer proposal does not identify, or does not require, local services for new residents and community	<ul style="list-style-type: none"> • Establish sitewide concept for public facilities and local services • Phase permitting of project to ensure facilities and services are integrated into each phase 	Belmar: Project includes network of public spaces consistent with adopted plan (Lakewood, CO)
Regulatory Framework	Maximizing Affordability— Affordable component of project is reduced, delayed and/or faces financing challenges; Permitted project(s) includes far fewer units than financially feasible	<ul style="list-style-type: none"> • Support early-phase affordable housing projects • Pool affordable housing fees and land dedications to expedite buildout, removing finance and construction burden from developer • Combine inclusionary/on site housing with land-dedication 	<ul style="list-style-type: none"> • Bayfair Shopping Center: Affordable project permitting process paralleled overall Plan, allowing it to move ahead rapidly and be first permitted project (San Leandro, CA) • Tasman East: Flexibility that created affordable housing pooling process and managed by non-profit affordable housing funder/developer, allowing early entitlement (Santa Clara, CA/America Fund)
Mobility & Public Infrastructure	Creating a street network— Buildout takes place in phases that are not connected in a coherent circulation network	<ul style="list-style-type: none"> • Establish sitewide circulation network in adopted plan and/or development agreement • Streetscape implementation strategy in plan or development agreement 	Belmar: Fine-grained street network identified in Plan and built out iteratively, combining private and public finance tools (Lakewood, CO)
Mobility & Public Infrastructure	Transit service and access— Site is poorly configured for pedestrian access to station, or is poorly served by transit	<ul style="list-style-type: none"> • Integrate station access into circulation plan for site • Coordinate site plan with transit provider to maximize access and speed into and out of site, and to increase service 	Highland Mall: Circulation network coordinated with plans for new rail station at edge of site (Austin, TX)
Mobility & Public Infrastructure	Transitioning from auto-dominant space to multi-modal space— Developer or leaseholders are reticent to promote non-auto modes; Community is concerned about traffic and parking impacts	<ul style="list-style-type: none"> • Specify robust TDM measures in Plan or Development Agreement • Incremental/phased redevelopment of surface parking • Link TDM measures to transportation improvements that benefit surrounding community as well 	Tyson's Corner: TDM policy established early on and applied to all new developments, successfully reducing SOV share and benefiting surrounding neighborhoods. (Fairfax County, VA)