NOVEMBER 2003

VOL. 22 NO. 8

CARLSONREPORT

FOR SHOPPING CENTER MANAGEMENT

LEASING

When the Leasing Gets Tough, The Tough Find Ways to Make Deals

Editor's Note: Because of the upcoming Fall Management and Marketing Conference, CARLSONREPORT contacted many of the MAXI finalists to find out what the industry's best and brightest are up to. Most of the stories in this issue are based on their entries.

Not surprisingly, many of the MAXI finalists focused on leasing. The creative approaches to different problems speak to our industry's ingenuity and resilience.

A University in the Mall
University Mall, Tampa, FL

University Mall faced a problem familiar to many shopping centers – an underutilized cinema. The mall owner, Glimcher Realty Trust, had taken ownership of the mall's16-screen cinema and hired Regal Cinemas to manage it. On weekdays, the theaters were only lightly used until early afternoon. A superregional mall had just opened 12 miles away and University Mall was

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FREE CHRISTMAS DÉCOR

Foothills Mall Builds a New Christmas Tradition with Free Décor

Foothills Mall, Tucson, AZ, is a hybrid mix of outlets, value retailers, traditional retail and entertainment. The shopping center has positioned itself as a community center and promotes the facility for collectible shows, non-profit groups, live music and fine arts performances, youth sports registrations and more. Customers have grown to expect a family atmosphere and special, personal touch during their visits to the mall, particularly during the holidays.

For the 2002 holiday season Foothills needed a new Santa décor package and, based on bids, was looking at a $50,000 expenditure. Management was hesitant about passing the cost through to tenants because sales had been stagnant. To make matters worse, Santa photo sales had also declined.

The center contacted the Hearth Foundation, an organization that assists homeless women with children, and US Home, a homebuilder that had built five playhouses over the previous six years for the Hearth Foundation to raffle at another area shopping center. The event, traditionally held in September and October, was the nonprofit's major fundraiser. Known as US Home Dreambuilders Playhouse Raffle, it had featured playhouses with themes from children's fairytales to replicas of colonial homes. The fundraiser had suffered in the wake of September 11, and the Hearth Foundation was considering terminating it.

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SECURITY

Preventing Crime in North America's Auto Theft Capital

Surrey, BC, the second largest city in British Columbia, is one of the fastest-growing communities in Canada.

Surrey Place was built in 1971 and was successful for many years, but in the '90s it struggled to maintain sales due to increased competition and retail consolidation. A major redevelopment program began in 2000 to add over a million square feet of office space, creating a mixed-use development of retail, office and educational facilities. The disruption was having a significant impact on traffic and sales, as many customers perceived that the mall was closing.

Adding to the center's woes, cars were being stolen at an alarming rate throughout the Lower Mainland. The problem was particularly acute in Surrey, where occurrences were increasing by 30% per annum. In 1995, Surrey Place was losing as many as 26 cars a month. Shopper concerns were having a detrimental effect on sales.

With the support of the Surrey Crime Prevention Society, the Royal Canadian Mounted Police and the Insurance Corporation of British Columbia (ICBC), the center developed a program called the Community Volunteer Patrol to combat this problem. Volunteers from the community were recruited, trained and provided with the resources to patrol the center's parking areas and discourage

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New Christmas Tradition

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The Hearth Foundation, Foothills Mall, US Home, Citadel Broadcast Co. and KGUN-9 Television teamed up to create the Dreambuilders Holiday Playhouse, a two-level toy factory adorned with a train, fireplace and furnishings.

The strategy was to create a concept that allowed Foothills to unveil a new Santa Décor package every year, then award the fabulous playhouse to a Foothills Mall shopper, along with a $2,500 mall shopping spree (to appeal to customers not motivated by the prospect of winning a playhouse).

Aligning itself with a non-profit group encouraged community involvement and attracted media resources to promote the concept at minimal or no cost. The non-profit received the additional financial benefit of being in the mall during the peak sales season with increased holiday traffic. The increased traffic resulting from additional media exposure and a new Santa Décor package increased Santa photo sales.

An initial meeting among representatives from Foothills Mall, US Home, and the Hearth Foundation was held to discuss creating a US Home Dreambuilders Playhouse. The Playhouse would have to be suitable for visits and photos with Santa. Foothills Mall would donate the shopping spree to increase raffle ticket sales. The design needed to be practical enough for a child's playhouse, but elaborate enough to display as a centerpiece for Santa, while blending with the remainder of the mall's holiday décor. Eventually, it was determined that a toy factory would fulfill all of those requirements. US Home was thrilled at the prospect of all their subcontractors working together on a single playhouse, and the Hearth Foundation was grateful for the opportunity to re-establish the major fundraising event.

Foothills Mall wanted to include the media and other local contacts on the new fundraising concept and Santa Décor idea. The Gadsden Toy Train Museum, a former Foothills Mall tenant, was contacted about incorporating a toy train into the playhouse design. Citadel Broadcasting was offered the radio sponsorship, and KGUN-9, the local ABC affiliate, was offered the television sponsorship.

US Home also agreed to "tag" all their local advertising with event information. The Hearth Foundation receives complimentary public service announcements from Tucson newspapers, and agreed to prepare press releases on the fundraising event. Foothills Mall agreed to include information on the event in its holiday direct mail piece.

US Home, The Hearth Foundation and Foothills Mall, with the generous advertising support from Citadel Broadcast Co., KGUN-9 Television and Tucson Newspapers, as well as the Gadsden Train Museum, successfully restored The Hearth Foundation's largest fundraiser for a 7th year. The project ran November through December, and raised $8,606 for the Hearth Foundation.

Foothills Mall also received the benefit of over $22,000 in traceable, free advertising, plus an unknown amount of PSAs. Citadel Broadcast Co. donated over $18,500 in radio spots plus two live remote broadcasts (during Santa's arrival and the playhouse/shopping spree giveaway). US Home tagged all of their print ads. KGUN-9 included the promotion in their Public Service Announcements, aired news coverage during Santa's arrival, created the 30-second commercial for the event, and obtained an additional sponsor to donate $3,950 in television spots. **CR**

Mall Advisor

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phone lines, custom-made stool and apron, and signage for mall and merchant) of all 15 new units. We'll call this number (A - Capital Cost). Determine Projected Monthly Income (for all 15 units), then multiply that number by 0.9 (which will give a cushion for a vacancy factor), then subtract Current Monthly Income (for existing 10 carts). We'll call this resulting number (B - New Income). Divide (A - Capital Cost) by (B - New Income). We'll call this number Payback Period in Months."

If the resulting number for the Payback Period in Months is between 24 and 36 months, your program has a great deal of merit.

Based on the $200,000 annual number you mentioned, I'm assuming you currently get somewhere around $1600 per month for each cart. I would project this fee could be increased to a range of $2000 per month. And, if that average is maintained for the new carts, and if the total cost of each new RMU is approximately $20,000, your Payback in Months would be: $20,000 times 15 new RMUs equals $300,000 (A - Capital Cost) divided by ($2000 per month times 15 new RMUs equals $30,000 per month times 0.9 [for vacancy factor] equals $27,000 per month) minus ($1600 times 10 existing carts equals $16,000) equals $11,000 (B - New Income) equals 27.27 months (or approximately two years and three months).

With regard to how to justify the investment to the mall owners, simply make a presentation that follows the outline of this article, explaining how you arrived at each of the steps. If the payback is between 24 and 36 months, the mall owners will smile and tell you to proceed (if the funds are available) or they might ask to include it next year's budget. You can also spruce up your

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