

## **WATERFRONT STATION: M Street SW and 4<sup>th</sup> Street SW**

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Washington, DC

Waterfront Station Retail Assessments and Recommendations  
October 24, 2017

### **AUTHOR**

The following analysis has been produced by Streetsense, one of the foremost authorities on the subjects of retail design, placemaking and leasing. The document's author is Michael Smith, Director of Real Estate at Streetsense. Mr. Smith has more 20 years of experience in the fields of real estate and urban design; 17 of which have been dedicated exclusively to landmark urban retail placemaking and leasing.

### **RESEARCH OBJECTIVE**

At the request of Forest City Realty Trust, Streetsense has prepared the following analysis that provides a description of the key elements of a successful town center, an assessment of Waterfront Station's place in the market today within the "town center" context, and a series of recommendations for ensuring that the final pieces of the Waterfront Station PUD (the "Project") are executed at a level that elevates the Project to what is considered to be a "complete" town center. Furthermore, the following document analyzes the impacts associated with changing the development program for 375 and 425 M Street, SW (the "M Street Buildings") from primarily an office use to primarily a residential use.

The following analysis includes a thorough examination of the District of Columbia's burgeoning waterfront communities and submarket conditions that directly influence the retail potential at Waterfront Station. The assessment of the market includes a summary of the customer segments that comprise the Project's primary customer base.

An assessment of the site plan and development/design composition includes a series of recommendations for the development of, and merchandising plan for, the M Street Buildings. The analysis takes into consideration the existing use mix at Waterfront Station and identifies opportunities to recalibrate the overall mix when considering the Project at full buildout. The analysis also addresses current macro and micro retail climate conditions.

Marketing and community engagement are also evaluated, with recommendations for enhancing Waterfront Station's brand identity and engaging the community during the development process to take note of the wants and needs of the surrounding neighborhood.

Public space programming has been assessed, with the identification of key opportunities for enhancing the retail offerings to meet the demands of a growing mixed-use town center and the surrounding neighborhood.

## **EXECUTIVE SUMMARY**

Waterfront Station is planned to serve as the “town center” for Southwest Waterfront, in accordance with the Project’s designation on the Comprehensive Plan Generalized Policy Map as an “Enhanced/New Multi-Neighborhood Center,” and consistent with the vision and goals for Waterfront Station set forth in the Council-adopted Southwest Neighborhood Small Area Plan. Like a traditional neighborhood center, but serving a wider geographic footprint and often multiple neighborhoods, Multi-Neighborhood Centers generally include supermarkets, general merchandise stores, drug stores, restaurants, neighborhood goods and neighborhood services. These centers sometimes include office space for small businesses, such as medical or financial service uses, but the primary function is in retail trade. Today—and more so with the completion of the M Street Buildings—the composition of Waterfront Station is a complete reflection of the prototypical Multi-Neighborhood Center.

### **MARKET ASSESSMENT AND CONSIDERATIONS**

The greater waterfront community is in the midst of a transformation of epic proportions. Derelict land is morphing into vibrant, urban neighborhoods, and at a rapid pace. The size, location and merchandising of other developments within the surrounding neighborhoods have a direct influence on the retail potential at Waterfront Station. Vastly different in its intentions from The Wharf, Waterfront Station is planned and merchandised to serve as the heart of the community. A “place” built primarily (but not exclusively) for the surrounding southwest neighborhoods, the Project’s identity will be defined by a series of qualities that create a “town center” environment. With the development of the M Street Buildings and their proposed ground floor retail, community-serving office use and residential units above, the Project will become a “complete” neighborhood town center.

Waterfront Station’s primary retail audience lives and works on-site and in the immediately adjacent neighborhood. This audience is a mix of young professionals, families and empty nesters, all of whom are seeking a sense of place and an authentic, urban experience. The neighborhood is home to upper, middle and lower income demographics. Consumer loyalty is critical to a neighborhood town center’s success and i) sense of place, ii) amenity offering and iii) public space programming are pillars to that success.

Residential, office and hotel uses are all retail demand generators. Waterfront Station boasts a dense mix of residential and office uses, but given that residential space generates more retail foot traffic than office space, the proposed reprogramming of the M Street Buildings from office to residential is strongly recommended. A larger on-site residential component will increase and extend the retail’s customer base throughout the day, evening and weekend, thus enhancing Waterfront Station’s sense of place.

### **CHALLENGES AND OPPORTUNITIES**

#### ***Site Elements***

The Project’s location is strong, with an abundance of frontage on M Street and 4<sup>th</sup> Street. 4<sup>th</sup> Street bisects the Project and creates a pronounced “main street.” The Project respects the urban grid, making vehicular and pedestrian gestures to the surrounding neighborhood. Waterfront Station’s masterplan boasts a strong hierarchy of buildings, public spaces and modes of circulation. The addition of the M Street Buildings will lend a much-needed sense of completion and a formal gateway to the southern portion of the Project.

The Project is highly accessible by car, Metro, foot and bike; a staple in any successful retail project. Given the Project's mix of neighborhood-serving uses and access to Metro, parking is sufficient, and as the area continues to densify, the growth in traffic by those accessing the Project on foot or bicycle will outpace that of the demographic arriving by car.

### ***Site Activation Elements***

Using strong site qualities as a foundation, Waterfront Station is employing strong architectural and public space design qualities to drive placemaking, including the following:

#### Placemaking Qualities

- Prominent neighborhood location
- Proximity to Metro
- Strong street accessibility and visibility
- Urban, pedestrian-scaled buildings and public spaces
- High quality architecture
- Active, diverse, engaging storefronts
- High quality, intimate (yet flexible) public space

The Project's approach to storefront design allows tenants to express their brands, maximizing pedestrian engagement at the ground plane. Streets are wide enough to facilitate healthy vehicular circulation but scaled to maximize pedestrian flow and safety. The sidewalks complement the buildings and streets that abut them, and the pedestrian experience is strong. The blurring of lines between street, sidewalk and public spaces is excellent, making for a memorable ground plan that is scaled for day-to-day activity but flexible enough to accommodate large, community-based events.

Outdoor seating for dining patrons and the general public are well-planned. The existing and proposed restaurant patios at Waterfront Station are appropriately-sized and maximize customer appeal and corresponding tenant sales potential. Seating for the general public is located throughout the Project, on sidewalks and in public spaces, creating an environment that is as much for congregation as it is for commerce.

With the blending of retail center, office uses and community center, Waterfront Station will become a successful town center for the surrounding neighborhood. The addition of the M Street Buildings will drastically improve the Project's place in the community.

### **MERCHANDISING, LEASING AND PROJECT ACTIVATION**

The uses most supportive of retail trade are residential first, followed by office and hotel uses. The most successful town center environments possess a mix of non-retail uses to promote both daytime and evening/weekend foot traffic. The two most valuable contributors to a thriving retail trade and town center environment are represented at Waterfront Station (i.e. residential and office). With the proposed modification in use from office to residential for the M Street Buildings, the proportionate shares of residential and office at Waterfront Station will be of an ideal ratio for maximizing retail patronage with both daytime and evening/weekend foot traffic.

Like most phased environments, the latter phases often represent the most integral piece of the placemaking puzzle. A reality of large-scale development, incomplete environments often lack critical elements that define space and achieve a critical mass of options to the consumer.

The following categories are typical of a successful neighborhood-oriented town center, each of which are either represented in the Project's current state or will be upon completion of the M Street Buildings. These uses appeal to both residents and office workers, generating foot traffic from these customer segments at different times of the day and week; the result being a "place" that is active during a maximum window throughout the day and week.

- Full-service Dining
- Quick-service Dining
- Neighborhood Goods
- Neighborhood Services/Professional Service Office

Based on sound fundamentals in the areas of market-appropriate use mix, placemaking, merchandising, marketing and public space programming, the direction of development at Waterfront Station accounts for all of the qualities that are essential to attracting the proposed mix of uses and high quality tenants that make for a vibrant, community-engaging mixed-use neighborhood town center.

Specifically, the proposed modification to replace office use with residential use in the M Street Buildings will maximize retail trade, increase pedestrian activity to the greatest extent (both in number of pedestrians and hours/days of activity), and generally create the town center environment that has been prioritized by the District and the community.

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## **INTRODUCTION**

The Project occupies the east and west sides of 4th Street, SW with M Street forming the southern edge. The Project is bounded to the north by a network of private drives, which currently provide access to the existing apartment buildings on the east and west sides of the Project, as well as the south sides of the commercial buildings fronting 4th Street. Transit-oriented development in its purest form, the Project boasts a station on the Metro's green line.

The Waterfront Station site is located in the heart of Washington, DC's Southwest Waterfront neighborhood, with its primary gateway located at the intersection of M Street SW and 4<sup>th</sup> Street SW and its retail spine straddling the east and west sides of 4<sup>th</sup> Street approximately 800 feet northward from M Street.

## I. MARKET ASSESSMENT AND CONSIDERATIONS

### MARKET ASSESSMENT

Within a very short period of time, Washington, DC has built itself one of the most expansive waterfronts in the country. As recently as 15 years ago, the District's waterfront was a seemingly endless shoreline of derelict and barren properties, with a small and struggling Washington Harbour representing the city's only waterfront presence. Within a very short period of time, the emergence of Capitol Riverfront, The Wharf, Waterfront Station (a waterfront-proximate community) and soon Buzzard Point together represent a collective renaissance that has resulted in a dense and competitive retail nodes that span the Capitol Riverfront and Southwest Waterfront communities.

The respective shapes that these communities are taking improve investment potential for the broader area (including Waterfront Station), and the scale, mix of uses, accessibility and approach to merchandising in each of these neighboring communities directly influence the retail potential and highest and best functions (retail and otherwise) at Waterfront Station.

The scale of Capitol Riverfront and The Wharf affect retail potential at Buzzard Point and Waterfront Station, influencing the highest and best retail use of both areas in the direction of "neighborhood" retail. Larger in size and higher in density than Buzzard Point and Waterfront Station, Capitol Riverfront and The Wharf make it impossible for these smaller communities to compete for the same customers or retail tenants. For example, at total buildout, Capitol Riverfront will have ten times the amount of retail as Waterfront Station and The Wharf will have three times the amount as Waterfront Station. The development team recognizes this and has a keen understanding of the Project's highest and best retail use as a neighborhood town center. This understanding means that the Project is not competing with Capitol Riverfront or The Wharf by being the same, but instead finding its place in the retail landscape by being different: a neighborhood retail center.

The most healthy retail climates are ones that possess a hierarchy of retail places, each playing a role that serves the community. Unhealthy retail climates arise from landlords and/or municipal stakeholders clouded by unsustainable retail aspirations; the result being toxic vacancy, turnover and a resulting stigma that can take years (if not decades) to overcome. The negative impacts associated with poorly performing retail is far worse than the absence of retail itself, and with a tremendous amount of built retail and retail in the pipeline throughout the greater waterfront community, a strategic approach to retail and non-retail uses that support it is critical. Waterfront Station's plan and merchandising strategy are in-line with the Project's highest and best retail use. The Project represents the only neighborhood-oriented retail center in Southwest Waterfront, employing a strategy that includes a balanced mix of food and beverage, neighborhood goods and services and neighborhood anchors that offers an array of amenities and a strong sense of place.

## DEMOGRAPHICS

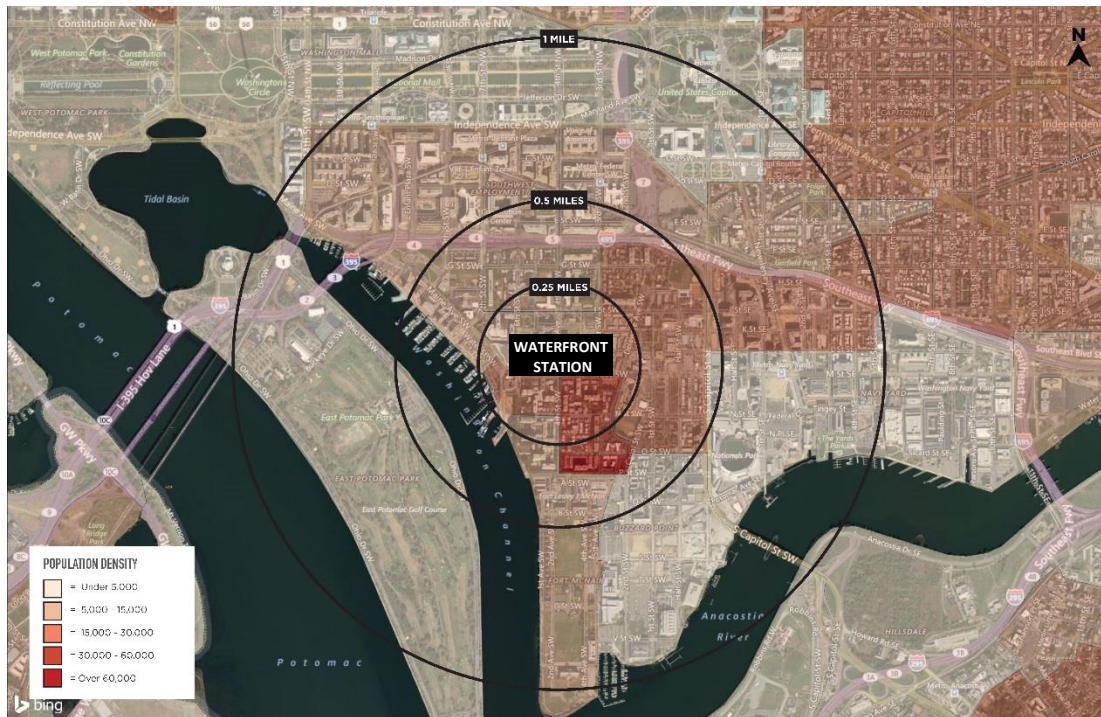
### Population

Population density is growing within the Project's trade area. The need for a true neighborhood town center and a place with a sense of community is increasing; so too is retail sales potential for Waterfront Station. As the area becomes more developed, the proportion of customer traffic arriving on foot or by bicycle will grow, shifting circulation patterns to and through the project and reducing demand for vehicular parking.

The following table and map illustrate the density of the area in which the Project is located and also the areas that surround it:

|                  | .25 MILES | .5 MILES | 1 MILE |
|------------------|-----------|----------|--------|
| Total Population | 7,202     | 13,690   | 19,828 |

### Population Density Heat Map





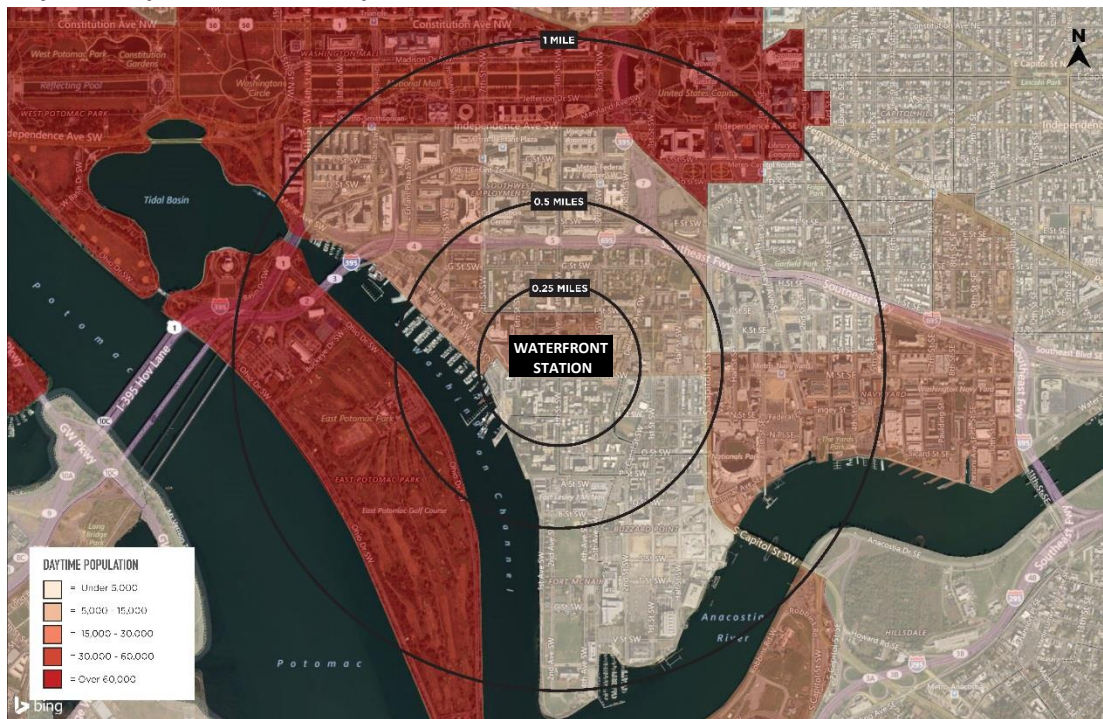
**Daytime Population**

Daytime population represents a significant source of retail sales. While much of the surrounding neighborhood is residential, the opening of the Wharf and development of the M Street Buildings will generate significant new day trade; more so than other residential neighborhoods, as the following heat map illustrates. Additionally, residential neighborhoods with a family contingent (as this neighborhood possesses) are home to the stay-at-home parent consumer, unlike a majority of urban neighborhoods.

The following table and map illustrate daytime population density:

|                          | .25 MILES | .5 MILES | 1 MILE |
|--------------------------|-----------|----------|--------|
| <b>Total Daytime</b>     | 8,280     | 27,038   | 81,333 |
| <b>Daytime Workers</b>   | 6,195     | 21,515   | 74,311 |
| <b>Daytime Residents</b> | 2,085     | 5,523    | 7,022  |

**Daytime Population Heat Map**



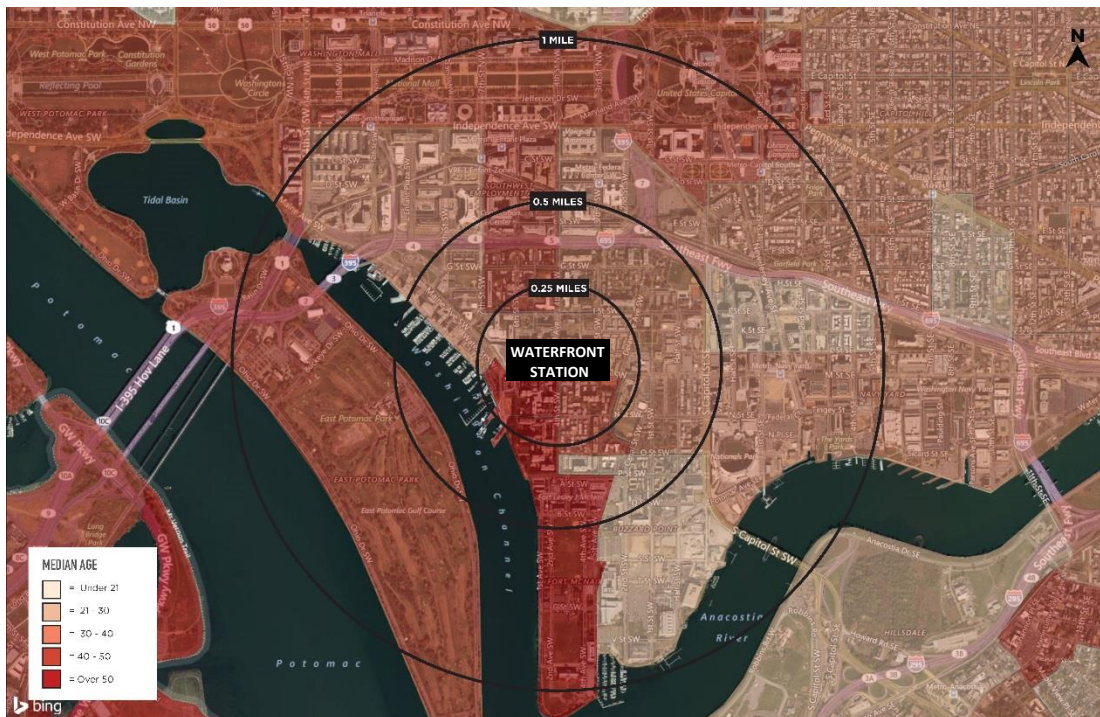
### Age

The median age of the immediately surrounding neighborhood is higher than other urban neighborhoods. This should be taken into consideration during the retail leasing phase of the M Street Buildings. As the Project progresses toward completion and with the immediately surrounding area continuing to see robust residential growth, the number of young professionals moving into the area will drive the median age downward over time, although not significantly enough to effect the Project's highest and best use or tenant mixes.

The following table and map illustrate the Project area's median compared to other nearby areas:

|            | .25 MILES | .5 MILES | 1 MILE |
|------------|-----------|----------|--------|
| Median Age | 43.5      | 40.6     | 37.1   |

### Median Age Heat Map



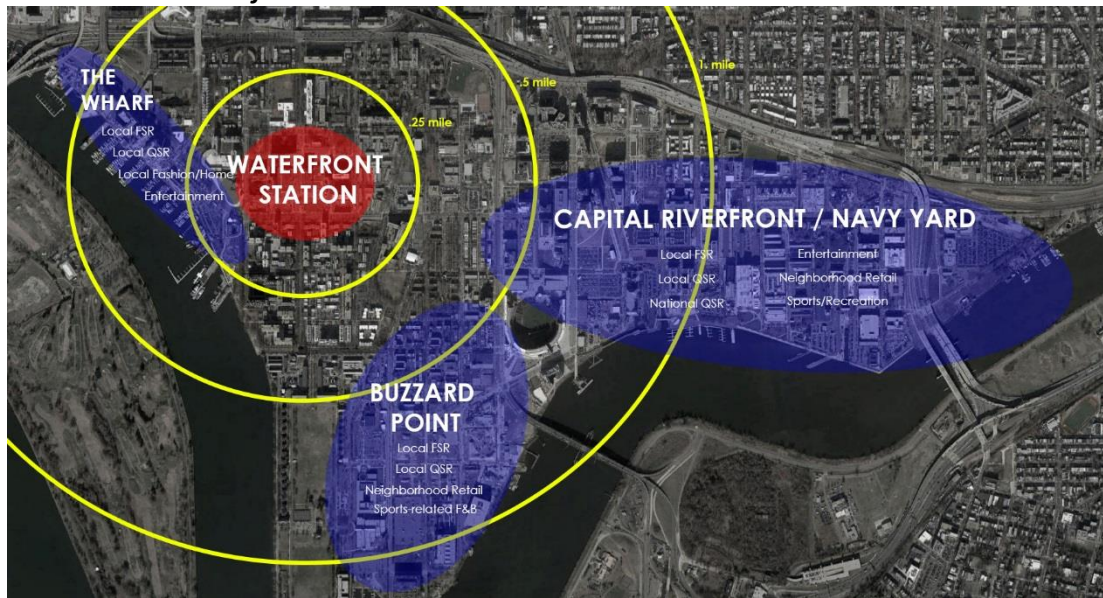
Upon development of the M Street Buildings, Waterfront Station will have incorporated good planning and design, high-quality public spaces with community-oriented programming, a market-appropriate mix of uses, and proximity to public transportation. These layers represent two essential ingredients to a complete, successful mixed-use project: a) a diverse retail offering and sense of place to the community and b) maximum return to the landlord.

**Unlike proximate Capitol Riverfront and The Wharf, Waterfront Station represents the most significant opportunity to provide the greater waterfront community with a notable concentration of neighborhood retail and public space that are strictly “community” in nature. The Project’s location, scale, mix of uses and accessibility to Metro, combine for the strongest of neighborhood retail potential.**

### COMPETITIVE LANDSCAPE

The competitive retail landscape in Washington, DC is high. Having experienced a residential population explosion and corresponding retail boom within the past 10 years, competition for retailers and consumers in the greater waterfront community is exceptionally high. Once a region with fewer than a handful of retail destinations, one had to travel much farther for experiential retail than today. Today, the region is well-covered in the category of destination retail; furthermore, varying degrees of renaissance are occurring in a majority of the District’s neighborhoods, reinforcing the value of neighborhood retail but also creating a myriad of micro-markets where a relatively small geographic area sources foot traffic to a commercial cluster, much in the way neighborhoods functioned before World War II. Waterfront Station—more specifically 4<sup>th</sup> Street and M Street—represents the Southwest Community’s logical location for a concentration of neighborhood retail. As density increases, so too does the need for neighborhood retail and small urban public spaces. The former site of Waterside Mall, the site on which the Project sits has long been the economic heart of commercial activity in Southwest DC.

### ***Notable Area Waterfront Retail Concentrations***



The following is a summary of the three notable proximate area retail concentrations that (in addition to Waterfront Station) influence the retail potential at Waterfront Station:

### ***Capitol Riverfront***

#### ***Project Summary***

|                    |            |
|--------------------|------------|
| Residential Units: | 13,371     |
| Office SF:         | 10,250,000 |
| Hotel Rooms:       | 1,300      |
| Retail SF:         | 1,250,000  |

#### ***Characteristics***

- Waterfront
- Highway-accessible
- Metro-accessible
- Dense mix of residential, office and hotel
- Professional baseball

#### ***Dominant Retail***

- Destination food and beverage
- Limited-service food and beverage
- Neighborhood goods and services

Spanning a vast geographic area, Capitol Riverfront is large, dense and highly accessible. The neighborhood is supported by an increasing array of public spaces that have been embraced by a diverse demographic base. Capitol Riverfront is well-served by neighborhood retail and Waterfront Station is unlikely to source much traffic from this area. Waterfront Station and Capitol Riverfront are not seen as competitors for retail patrons. Each function on their own and serve their distinct consumer base.

## ***Buzzard Point***

### ***Planned Project Summary***

|                    |         |
|--------------------|---------|
| Residential Units: | 6,000   |
| Office SF:         | 500,000 |
| Retail SF:         | 150,000 |

### ***Planned Characteristics***

- Waterfront
- Highway-accessible
- Dense mix of residential, office and hotel
- Professional soccer

### ***Planned Dominant Retail***

- Destination food and beverage
- Limited-service food and beverage
- Neighborhood goods and services

The future development of Buzzard Point is substantial. Given its proximity to Capitol Riverfront, combined with the fact it possesses fewer retail-supporting fundamentals than Capitol Riverfront, a majority of future Buzzard Point retail is likely to be neighborhood-oriented. Given the distance between Buzzard Point and Waterfront Station and their eventual similarity in offerings, potential for cross-patronage between the two neighborhoods will be negligible, although grocery trade sourced from Buzzard Point and Metro foot traffic from Waterfront Station is likely to yield some foot traffic, particularly during evenings and on weekends.

## **The Wharf**

### ***Project Summary***

|                    |         |
|--------------------|---------|
| Residential Units: | 3,000   |
| Office SF:         | 915,000 |
| Hotel Rooms:       | 680     |
| Retail SF:         | 350,000 |

### ***Characteristics***

- Waterfront
- Highway-accessible
- Dense mix of residential, office and hotel
- Live entertainment

### ***Dominant Retail***

- Destination food and beverage
- Limited-service food and beverage
- Neighborhood goods

The Wharf's merchandising program is predominantly food and entertainment-focused, with only a small amount of local shoppers' goods retail and little to no neighborhood service retail. The Project's proximity to Waterfront Station and its on-site Metro Station, represents a notable source of future foot traffic for Waterfront Station that does not presently exist. Additionally, a significant void exists in The Wharf's program for neighborhood-focused retail. With transit foot traffic to and from the Wharf channeling through Waterfront Station, which already has a grocery store, pharmacy, and other neighborhood-serving retail and dining options, it is anticipated that existing and future retail at the Project will be highly utilized by residents and visitors of the Wharf.

## CUSTOMER ANALYSIS

All successful retail concentrations are dynamic, embrace community, appeal to a variety of people, and represent more than one thing to the customer. Identifying the primary customer base and analysing nearby retail environments is critical in determining a project's highest and best use and defining the direction of a merchandising strategy. Directing merchandising to non-core customer segments alienates core customers (in this case the area resident). Therefore, merchandising and leasing to appeal to the primary customer is essential to supporting the community and fostering the project's success.

The following highlights the demands of each customer group and illustrates that the wants and needs of the local resident are more consistent with neighborhood retail than those of the office worker.

### ***Customer Segments***

The following summary is a snapshot of the spectrum of customer segments served by the project; these customers live both on-site and off-site.

#### On-site Residents

- Young professionals (upwardly mobile)
- Empty nesters (middle/high income)
- Looking for authentic, quality experiences
- In need of day-to-day necessities
- Demands community "place"
- Elderly (middle income)

Given the Project's multi-family qualities, the on-site residential demographic is dominated by young professionals and (to a lesser degree) empty nesters. Young professionals in this submarket are typically upwardly-mobile in their income profile, while empty nesters tend to be middle/upper income. There are significant low income and elderly populations in the area seeking neighborhood goods and services. The project's merchandising and tenant mix should be curated to serve a diverse layering of potential customer segments.

#### On-site Office Workers and Visitors

- Middle income
- Looking for average to better-than-average experiences
- Limited on time for lunch and less likely to remain on-site for dinner
- In need of day-to-day necessities

The Project's on-site office worker demographic is predominantly government or government contractor-employed. As such, income and consumption patterns differ from those of a corporate office worker typical in Downtown DC. Government-related employees typically earn less income, eat out less and shop closer to place of residence.

This existing office component within the Project is unique because it draws a significant number of daytime visitors to the Project who take advantage of the public-facing government services. These visitors generate significant additional foot traffic that is far greater than the volume of visitor traffic generated by traditional office uses. As a result, daytime foot traffic at Waterfront Station is already high, and what the neighbourhood needs is additional evening and weekend foot traffic that can only be created by residential use.

**Neighborhood Resident**

- Young professionals (upwardly mobile)
- Empty nesters (middle/high income)
- Families (low/middle/high income)
- Looking for authentic, quality experiences
- In need of day-to-day necessities
- Demands community “place”

The neighborhood resident is a more mature demographic than that of other Downtown and Waterfront area neighborhoods; there is also a larger family contingent than other Downtown and Waterfront area neighborhoods. The demographic boasts high education and while incomes are lower than other neighborhoods, they are still generally high.

**Sources of Demand for Retail Square Footage**

Residential, office and hotel uses are strong retail demand generators, increasing retail sales potential and enhancing sense of place. Waterfront Station presently boasts a strong mix of the two most productive retail demand generators. When prioritizing non-retail uses such as residential, office and hotel, residential is the preferred and most productive source of retail sales.

Retail Demand Per Square Foot Generated by Non-Retail Use

- Multi-Family Residential: 10 SF to 12 SF per 1,000 SF
- Office: 6 SF to 8 SF per 1,000 SF
- Hotel (full service): 5 SF to 7 SF per room

Furthermore—as illustrated by the following diagram—residential-sourced foot traffic yields more daypart traffic than office or hotel uses and can be counted on for a more consistent stream of patronage, especially when coupled with a strong sense of place and robust event programming. Presently speaking, Waterfront Station’s greatest deficiency in customer foot traffic is on nights and weekends. A transfer from office density to residential density will yield increased night/weekend traffic and will generate more demand for the uses that fuel this activity.

The following daypart analysis illustrates daypart activity sourced from each of the customer segments:

**Daypart Potential Matrix**

|                        | MONDAY |   |   |    | TUESDAY |   |   |    | WEDNESDAY |   |   |    | THURSDAY |   |   |    | FRIDAY |   |   |    | SATURDAY |   |   |    | SUNDAY |   |   |    | DAY PARTS |   |   |    |   |   |   |    |       |
|------------------------|--------|---|---|----|---------|---|---|----|-----------|---|---|----|----------|---|---|----|--------|---|---|----|----------|---|---|----|--------|---|---|----|-----------|---|---|----|---|---|---|----|-------|
| ON-SITE                | M      | D | N | LN | M       | D | N | LN | M         | D | N | LN | M        | D | N | LN | M      | D | N | LN | M        | D | N | LN | M      | D | N | LN | M         | D | N | LN | M | D | N | LN |       |
| RESIDENTS              | ■      | ■ | ■ | ■  | ■       | ■ | ■ | ■  | ■         | ■ | ■ | ■  | ■        | ■ | ■ | ■  | ■      | ■ | ■ | ■  | ■        | ■ | ■ | ■  | ■      | ■ | ■ | ■  | ■         | ■ | ■ | ■  | ■ | ■ | ■ | ■  | 20.50 |
| PROFESSIONALS          | ■      | ■ | ■ | ■  | ■       | ■ | ■ | ■  | ■         | ■ | ■ | ■  | ■        | ■ | ■ | ■  | ■      | ■ | ■ | ■  | ■        | ■ | ■ | ■  | ■      | ■ | ■ | ■  | ■         | ■ | ■ | ■  | ■ | ■ | ■ | ■  | 11.00 |
| OFF-SITE               |        |   |   |    |         |   |   |    |           |   |   |    |          |   |   |    |        |   |   |    |          |   |   |    |        |   |   |    |           |   |   |    |   |   |   |    |       |
| NEIGHBORHOOD RESIDENTS | ■      | ■ | ■ | ■  | ■       | ■ | ■ | ■  | ■         | ■ | ■ | ■  | ■        | ■ | ■ | ■  | ■      | ■ | ■ | ■  | ■        | ■ | ■ | ■  | ■      | ■ | ■ | ■  | ■         | ■ | ■ | ■  | ■ | ■ | ■ | ■  | 18.00 |

**Note:**  
M – Morning  
D – Day  
N – Night  
LN – Late night



Residential growth in the neighborhood will stimulate both daytime and night/weekend foot traffic. The most successful and vibrant retail districts are ones with a mix of non-retail uses but that have a large residential population. Much like so many other emerging neighborhoods, Waterfront Station and the immediately surrounding blocks are experiencing a density boom; with that boom comes increasingly strong demand for neighborhood retail and a yearning for the sense of place yielded by the Project's completion.

"Location, location, location" is the most commonly used term to describe general real estate fundamentals; "retail follows rooftops" holds the same importance in the retail industry. While daytime traffic associated with office uses is notable, Waterfront Station already possesses a sizable office component that fuels activity on weekdays. Residential adjacency is unequivocally a stronger source of foot traffic and sales than office adjacency. Customer volume, repeat foot traffic and pride in ownership that on-site residential dwellers bring to a project are vastly more significant than those of the 9-to-5 employee. The Project already possesses a strong mix of uses. Given the benefits of on-site residential over office, the proposed change in use will significantly improve the Project's ability to become the neighborhood center both the developer and community stakeholders would like it to be.

A more productive complement to residential and retail in this context is the proposed increase in community-serving office space (i.e. medical, financial services, etc), bringing to the project both employees and customers. The impact on daytime foot traffic resulting from these uses is significant and consistent with an active and successful neighborhood-oriented town center.

## II. CHALLENGES AND OPPORTUNITIES

### SITE ELEMENTS

The Project's size, geometry and access to transit are conducive to a critical mass of uses that are clustered, rather than linear, which diffuses foot traffic and sense of place. The Project's extensive M Street frontage makes it highly visible and creates an urban edge along the corridor that fosters sense of place. Equally important is the function of "main street" that 4<sup>th</sup> Street serves. Located directly atop the Metro, at the nexus of Capitol Riverfront, Buzzard Point and The Wharf, the Project is central to the immediate neighborhood and greater waterfront community.

### ***Project Masterplan***

Successful place-based projects boast plans and merchandising strategies that take shape around unique spaces and features, while responding to external influences and neighboring blocks and uses. It is important to encourage both pedestrian and vehicular connectivity with surrounding neighborhoods, their residents and businesses and to provide the neighborhood with something that is commercially, recreationally and socially unparalleled in the marketplace. The Project is situated in a way that creates potential to make it the prime visual, social and commercial anchor in the area and to feel more like an authentic urban, open, public space, rather than a contrived town center.

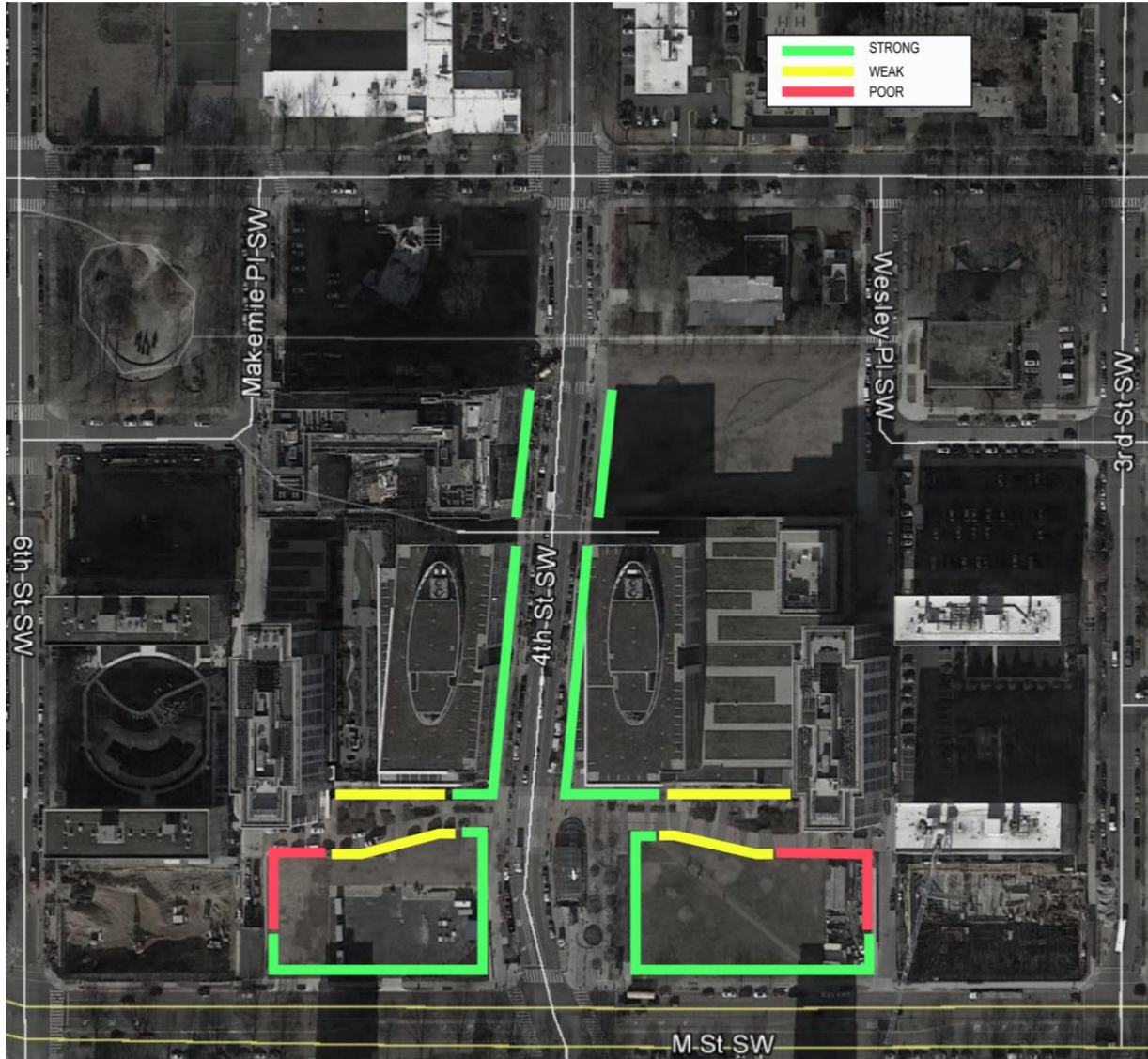
The Project's masterplan complements the street grid and provides accessible and well-planned public spaces. Presently, however, the Project feels incomplete and lacks the sense of place so important to the property. What is missing are the M Street Buildings, which further activate the ground plane and frame the Project's most iconic public space, the Metro Plaza. Without these buildings, the plaza and the shared streets lack form and the subsequent lack of magnetism results in a diffusion of energy and activity. With the completion of the M Street Buildings, Waterfront Station's plan will be built on sound town center fundamentals, which include the following:

- Vertical density
- Active retail ground plane
- Pedestrian-scaled buildings, sidewalks, streets and public spaces
- Variety of retail types that encourage foot traffic throughout the day and week
- Strong sense of place
- Transit Accessibility

### **Frontage Quality**

As is illustrated in the diagram below, the orientation of retail is responsive to the plan's circulation patterns, prioritizing retail on high value retail frontage and non-retail for low value retail frontage.

### **Waterfront Station Frontage Quality Diagram**



### **Accessibility and Circulation**

In the context of a neighborhood town center, the Project is both highly accessible and highly visible. The Project's position atop a Green Line Metro station is a strong attribute, particularly for grocery traffic but also in the case of restaurants. The Project's on-site residential and office uses and the surrounding area (including The Wharf) benefit greatly from the Metro, in-turn making neighborhood retail more productive. By car, the Project is 5 minutes from I-395 and its central location, prominent frontage and position within the urban grid are all very strong and conducive to a successful mixed use town center. Circulation to and through the Project is strong, respecting the city's street grid while opening it up in places for public spaces.

### **Parking**

Parking is sufficient given the Project's mix of uses, access to transit and walkable context. The Project's foot traffic is becoming increasingly pedestrian in nature and demands on parking are likely to decrease over time. Street parking creates valuable near-to-retail parking and acts as a traffic calming and pedestrian-buffering mechanism.

## SITE ACTIVATION MECHANISMS

There are a variety of qualities that assist in placemaking and are present in the Waterfront Station project, included in the following list. Waterfront Station will use these qualities in the following ways through the further development of the PUD:

### Site Activation Qualities

- Active, diverse, engaging storefronts
- Narrow streets and active sidewalks
- High quality, intimate (yet flexible) public space
- High quality architecture
- Abundant outdoor seating

### ***Storefront Design***

A strong and distinct retail storefront program is a hallmark in the most magnetic retail centers, whether super regional or neighborhood-oriented. The Project's buildings boast strong base building architectural qualities. The ground plane is pronounced and plans for the M Street Buildings call for a more aggressive approach to storefront design, encouraging more tenant-specific branding and material diversity, promoting a variety of signage types and allowing for operable storefronts for food and beverage uses when appropriate.

### ***Streets and Sidewalks***

The sidewalks are well-portioned and the streets are just wide enough to carry local traffic and narrow enough to encourage a strong pedestrian realm, where pedestrians feel comfortable enough to freely cross the street even mid-block. The East and West Plazas are memorable urban spaces; they should be signed to enhance sense of place and give the Project queues for the public to latch onto.

### ***Metro Plaza***

The Metro Plaza is one of the pillars of the Project plan. Upon Project completion, the plaza will become the defining element of Waterfront Station, representing a major opportunity for public space programming and passive congregation. The Metro Plaza's relationship to retail is ideal for dynamic food and beverage outdoor seating, and it is scaled appropriately to host community-oriented programming and events. Overall, the public space created at the Metro Plaza will be able to engage the community and create the type of vibrant, mixed-use, and neighborhood-focused town center environment that is prioritized for Southwest Waterfront.

The development of the M Street Buildings will encourage a myriad of tangible and intangible economic and social spin-offs to the Project and surrounding neighborhood, including increased interest from prospective retailers. Now more than ever, people crave place and demand experience, both in the way they live and in how they shop and eat. The development program must be completed in order for the essence of a neighborhood “place” to come to fruition.

With the addition of the two new buildings comes the introduction of a strong M Street presence and retail identity; something that is positive for the community and critical to the success of Waterfront Station as a neighborhood retail place. The emergence of M Street’s retail identity will be further defined by the fact that neighboring development parcels immediately to both the East and West call for M Street retail, “bookending” Waterfront Station and strengthening connectivity to The Wharf and to the broader neighborhood in general.

### ***East and West Plazas***

The East and West Plazas are an important component of the overall Project. The lack of framing by the absence of the M Street Buildings contributes greatly to the under realized opportunity to make the two spaces straddling 4<sup>th</sup> Street special. These woonerfs (shared streets) have the potential to create unique shared-use spaces in the interior of the site that a traditional double-sided retail street like 4<sup>th</sup> Street cannot. The Project’s ability to host a hierarchy of spaces (4<sup>th</sup> Street, shared street, public plaza) creates a more experiential environment and a greater degree of flexibility to do public space programming.

The design of the street, from building face to the opposing building face creates an effective blurring of edges, encouraging walkability and allowing for the expansion and contraction of spaces to accommodate a host of events. The East and West Plazas should be signed and they should be referenced more prominently in branding and marketing efforts.

### ***Outdoor Seating***

In food and beverage environments, outdoor seating should be abundant, as there is no better way for a site to interact more with its streets and surroundings. Outdoor seating also provides supplemental revenue for tenants, which translates into increased potential for percentage rent to the landlord. Both tenant and general public outdoor seating have been carefully considered during the planning and design phases of the Project. Given the complexities associated with outdoor food service, the outdoor spaces adjacent to the M Street Buildings will be carefully designed to maximize the customer experience and improve tenant operating efficiency.

Strong attention has been paid to the design of public seating areas and sidewalk zones in the East and West Plazas and the Metro Plaza. The most successful outdoor spaces are ones that accommodate for general congregation, even when the user of the space is there for a non-commercial reason, such as people watching.

### III. MERCHANDISING, LEASING AND MARKETING

#### MERCHANDISING AND LEASING

The aim of this Project is not to compete with, but rather to compliment the surrounding neighborhood with merchandising categories, a tenant mix and a level of character not currently available and encouraging a high level of connectivity with surrounding neighborhoods and existing businesses in the area.

The following categories are typical of a neighborhood-oriented town center; all which are or will be defining elements of the Project program:

- Full-service Dining
- Quick-service Dining
- Neighborhood Goods
- Neighborhood Services

National brand fashion and home uses and also entertainment-related retail is common in town center developments but less so in neighborhood-oriented developments. Fashion and home uses also fall under the neighborhood goods umbrella but on a local basis. In this context, these uses are not leading categories but their character drives the identity of the Project.

Lease-up strategy is critical to maintaining a certain caliber of tenant. “Caliber” need not be used as a reflection of price or exclusivity, but rather quality of product, environment and overall experience. Quality is something that should be accessible to people of all backgrounds, which is precisely the focus of leasing efforts at Waterfront Station; a mix of uses and tenants that are accessible to a range of demographics. The degree of quality in a given tenant translates into wider draw and more frequent patronage. In a project where square footage is scarce, every square foot must be programmed with the strategy in mind. The Landlord has been employing this strategy as it evaluates prospective uses and tenants for the M Street Buildings in order to obtain the best retail tenant mix that will draw a variety of patrons and help create the town center environment

#### ***Retail Merchandising Summary***

At its current size, the project lacks the critical mass so important to place and destination appeal; furthermore, as is typical in a phased environment, led with a phase I anchor, the grocery use represents a percentage of the total retail square footage that is higher than usual. Upon completion of the Project in full, the retail component will be ideally-sized for a grocery-anchored, neighborhood town center and with the addition of the M Street Buildings non-anchor retail will recalibrate the use ratios, resulting in an ideal mix of uses that promotes balanced foot traffic levels and a more complete customer offering that is consistent with a successful neighborhood town center.

Tenants such as Station 4, Safeway and CVS are notable operators from which to build both food and beverage and neighborhood retail categories. The addition of the M Street Buildings represents a significant opportunity to increase the project’s food and beverage offerings and develop a critical mass of neighborhood goods and services that yield maximum offering, maximum foot traffic and maximum sense of place.

Ideal Use Mix in a Neighborhood Town Center:

|                                       |            |
|---------------------------------------|------------|
| Anchor:                               | 40% to 50% |
| Full Service Dining:                  | 10% to 20% |
| Limited Service Dining:               | 5% to 15%  |
| Neighborhood Retail (goods/services): | 25% to 35% |

Existing Project

| <b>USE</b>                  | <b>#</b>  | <b>%</b>    | <b>TOTAL SF</b> |
|-----------------------------|-----------|-------------|-----------------|
| Full Service Dining         | 2         | 9%          | 8,142           |
| Limited Service Dining      | 2         | 4%          | 3,905           |
| Grocery                     | 1         | 62%         | 54,981          |
| Neighborhood Goods/Services | 6         | 24%         | 21,013          |
| <b>TOTAL</b>                | <b>11</b> | <b>100%</b> | <b>88,041</b>   |

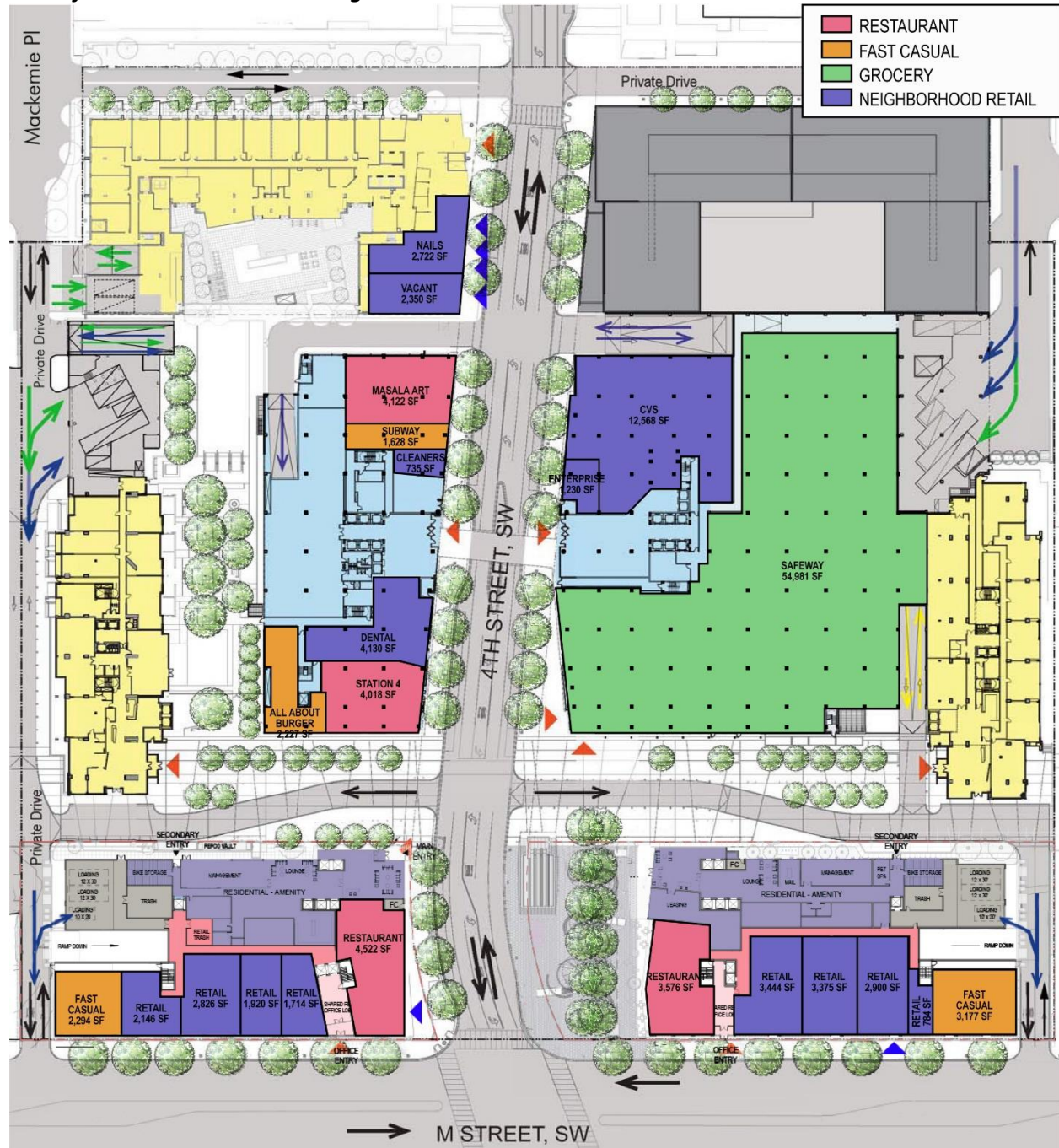
375 M Street/425 M Street (Recommended)

| <b>USE</b>                  | <b>#</b>  | <b>%</b>    | <b>TOTAL SF</b> |
|-----------------------------|-----------|-------------|-----------------|
| Full Service Dining         | 2         | 25%         | 8,098           |
| Limited Service Dining      | 2         | 17%         | 5,471           |
| Grocery                     | 0         | 0%          | 0               |
| Neighborhood Goods/Services | 8         | 58%         | 19,109          |
| <b>TOTAL</b>                | <b>12</b> | <b>100%</b> | <b>32,678</b>   |

Existing Project and 375/425 Street Combined (Existing/Recommended)

| <b>USE</b>                  | <b>#</b>  | <b>%</b>    | <b>TOTAL SF</b> |
|-----------------------------|-----------|-------------|-----------------|
| Full Service Dining         | 4         | 13%         | 16,240          |
| Limited Service Dining      | 4         | 8%          | 9,376           |
| Grocery                     | 1         | 46%         | 54,981          |
| Neighborhood Goods/Services | 14        | 33%         | 40,122          |
| <b>TOTAL</b>                | <b>23</b> | <b>100%</b> | <b>120,719</b>  |

# Waterfront Station Merchandising Plan





**Full Service Dining (Restaurant)**

The District as a whole is well-served by full-service restaurants. The greater waterfront community is experiencing explosive food and beverage growth and the density of restaurants at The Wharf is staggering; however, unlike Capitol Riverfront, Southwest Waterfront (even when considering The Wharf) lacks an abundance of neighborhood-oriented restaurants like Station 4. Building from the precedent set by Station 4 and Masala Art, an expansion in this category will further the Project’s ability to generate foot traffic, connect with the community and frame and complete the Project’s vision of serving as the primary place for neighborhood congregation. High quality, moderately-priced offerings that appeal to a broad audience are most likely to succeed, and local and regional restaurateurs are recommended over national chains.

Recommended Qualities

- Local or Regional
- High Quality Product
- High Quality Space
- Approachable/Family-Friendly

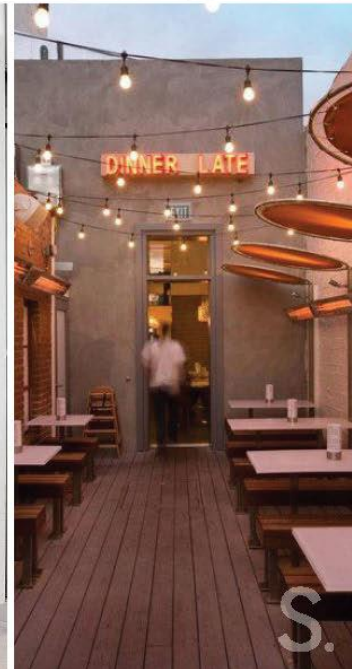


**Limited Service Dining (Fast Casual)**

Limited service food and beverage uses (also referred to as “fast food,” “fast casual” or “café”) adds a layer of amenity for the consumer who doesn’t want to eat in a full-service environment. An offering more casual and less costly than a full-service restaurant increases the breadth in customer base, the number of trips per customer and the subsequent number of day parts during which the Project is active. These uses thrive most in either a) dense areas with high pedestrian traffic or b) car-dominated environments with convenient surface parking; Waterfront Station boasts each of these qualities, making a strong case for additional limited service dining, both for the on-site and area office workers and residents alike. Focus should be placed on high quality brands; particularly locals who have a broader reach than overexposed:

Recommended Qualities

- Local or Regional
- High Quality Product
- High Quality Space



### ***Neighborhood Goods***

Neighborhood goods represent both a pillar and an identity driver in the makeup of a high quality neighborhood retail environment. These products and the stores that sell them satisfy the community's needs for essentials but similar to a restaurant, they have the ability to be a strong driver of sense of place; something that separates the best neighborhood projects from the others. The development team's commitment to high quality operators is a reflection of their desire to not only provide the community with neighborhood retail but to do so with the highest degree of care.

#### Neighborhood Goods Samples

- Flowers
- Home Accessories
- Stationary/Gifts
- Running Store
- Bike Shop
- Wine/Spirits/Beer



### ***Neighborhood Services and Office***

There is a notable scarcity of retail services in the Southwest Waterfront area and little-to-no quality in this category. The presence of Safeway, CVS, Waterfront Cleaners and Smile Dental represent a significant base of neighborhood service retail. The addition of M Street buildings represents a tremendous opportunity to expand the base of these essentials. The proposed plan calls for a substantial infusion of these uses and pent-up demand favors it.

Neighborhood services come in the form of retail-centric (e.g. dry cleaner) and office-centric (e.g. medical). Regardless of format, these uses generate daytime foot traffic and foster a strong sense of place. The proposed residential component is highly synergistic with these uses, representing the strongest of sources of patronage.

Once an unfavorable label, service retail was historically relegated to spaces out of view; no longer is this always the case. A finely-tuned mix of neighborhood-oriented uses and a tenant mix that rises above the current offering in the neighborhood will generate foot traffic throughout the day and do so in a way that is complimentary of other uses and a high quality mixed-use environment. The ground plane and its retail uses represent the “face” of the Project and this space should be merchandised and leased to reflect that; the development team’s commitment to best-in-class operators reflects their understanding of this.

Neighborhood service retail samples:

#### Retail-Centric

- Salon
- Fitness
- Parcel Pick-up/Professional Services

#### Office-Centric

- Medical Office
- Mental Health and Wellness
- Financial Services
- Daycare/Child Recreation and Play



### ***Interim Retail Uses***

The Project should employ an aggressive temporary tenant campaign immediately to signal the upcoming additions to the Project, reset consumer habits and build credibility within the community.

Making provisions to accommodate pop-up stores for vacant space (both new and existing) should be considered. Pop-up programs can prove challenging and (in some cases) unsustainable, when the retailer market determines that other locations are better suited for these uses. When successful, this tenancy represents an opportunity to test concepts for prospective tenants and drive credibility with the public. Consideration should be given to both daily and seasonal uses. Temporary tenants do not typically invest in spaces and only bring inventory and signage, putting onus on the landlord to supply a “warm vanilla shell” necessary to operate a store. Temporary tenants typically require smaller footprints than permanent tenants and large spaces should be temporarily subdivided to promote a density of stores and intimacy within the space. The Landlord may want to consider dedicating a specific space indefinitely to pop-ups, giving tenants 3 to 6 month terms before replacing them with another tenant. Such efforts can create continued sense of discovery and can forge deep connections and strong credibility with the community.

### ***Residential Amenities***

While not technically retail, residential amenities are becoming increasingly popular tools in the activation of ground plane where traditional retail is not feasible. The mixing of retail space and residential amenity represents an opportunity to further activate the ground plane and bring residents to street level in a way that would not otherwise happen. The Apollo in Northeast DC for example employs a progressive mixing of residential amenity with traditional retail, creating a dynamic environment with qualities consistent with a hospitality environment; a hotel lobby. The resulting energy has been a significant value driver for the building’s residential component and (just as important) a “place” driver that generates significantly more foot traffic than would be the case in a traditional environment where uses are separated.

The addition of the M Street Buildings represents a defining moment for Waterfront Station. The increase in tenants and the recalibration of use ratios equate to a more “complete” place; this is more appealing to prospective retailers because it is more appealing to prospective customers. The long-awaited framing of the Metro plaza represents the completion of this space, which will drive sense of place, identity and the utility of space to host public events. The completion and assemblage of these elements represents a place where people want to be that in turn is a place that makes retail most successful.

## MARKETING

Best-in-class projects require a focused merchandising and leasing strategy with a marketing package that reflects the aspirations of the Project. Much like quality of design is reflective of aspirational qualities, so too should be the brand and supporting marketing materials.

### ***Project Brand***

While strong in name, the development team should consider ways to further brand the project. With the completion of the M Street Buildings, an updated brand strategy will give the Project identity to prospective tenants (retail, residential and office) but also with the community. This identity is critical to developing loyalty and sense of ownership with the neighborhood and will be a pillar in the Project's advertising strategy.

In 2008, Waterside Mall, the project's precursor, was rebranded as Waterfront Station with the commencement of construction of the Project's first phase. With the establishment of a Complex Reciprocal Easement Agreement (REA) between parcel owners in 2010, a mechanism was created to ensure the continuous operation and maintenance of Waterfront Station in a first class manner, with Forest City as Managing Owner. A project-wide website was created in 2011, allowing for the initial marketing of the Waterfront Station town center as a well-identified and cohesive new community.

Moving forward, with approval of all Waterfront Station property owners, a marketing budget will be established for the continued enhancement of the town center. The marketing plan will include a further rebranding of Waterfront Station and continued marketing and event planning throughout the year. The entire PUD site will be further marketed as one unified neighborhood, which will establish the town center's identity within the District and aid in the lease-up of retail space that may turnover in the future.

The Developer's branding process is synchronized with major development milestones to ensure synergy between the brand and actual product. This process is done consistently across the country for all new Forest City multifamily developments. The M Street buildings will be marketed individually as well as within the context of the overall Waterfront Station brand. The marketing effort for the M Street buildings will incorporate and reference the overall branding efforts for the Waterfront Station town center. During Schematic Design, a branding agency partner is identified and the foundational brand work is completed; which includes positioning and naming. Sometimes a locational identifier is a part of the brand messaging and in this case, Waterfront Station will be worked into the brand identity of all buildings within the town center. During this process, the initial brand creative and "look" is developed and used to help inform design decisions and signage. Finally, during construction all marketing items are developed to promote the overall project and what's to come

### ***Community Input***

The Landlord has committed to a community relationship-building effort, utilizing surveys to gauge interest and needs and hosting public input sessions to illustrate intentions and reveal future plans.

### ***Leasing Materials***

Retail leasing of the M Street Buildings should commence upon groundbreaking. 18 months is a sufficient amount of time to secure tenant commitments and prospects are more likely to commit to a project when construction is occurring. Commencement of construction bolsters prospect confidence in a given project and it typically occurs within a horizon a prospective tenant can consider expansion.

Leasing materials should be stylized and brand heavy as they relate to Waterfront Station and the individual M Street buildings within the larger neighborhood context. Content should be informative, yet concise, and should include plans and renderings of the highest quality that get prospective tenants excited about the potential to generate sales. Imagery should be vision-specific. Branding for the M Street Buildings should be consistent with and reference branding for the Project more generally.

### ***Website***

As part of the development of the M Street Buildings, a new and expanded website will be launched at construction commencement and will be part of a groundbreaking ceremony. Important to the lease-up of the Project, the updated website will be critical to the identity and credibility of the project on an operations basis. The site will also be a significant resource for the promotion of public events and other community-related announcements.

### ***Metro Plaza Celebration***

The completion of the M Street Buildings will bring a sense of completion to the Metro Plaza and a celebration will be staged to recalibrate people's perceptions of the Project.

### **PUBLIC SPACE PROGRAMMING**

The role of the retail at Waterfront Station is to drive the character and represent the "face" of the Project, establishing its relationship with the community and surrounding region. Strong planning fundamentals, high quality architecture, accessibility, market-appropriate merchandising and high quality, unique tenancy are all critical to the success of the retail and also the Project's non-retail uses. The Project's office base and their employees and the Project's residential base all count on the quality of the place and its amenities.

Once complete, the sum of the Project's parts will be the primary draw; the degree of which can be significantly enhanced by supplemental, synergistic programming of its public areas. A pinnacle quality for the most successful of neighborhood centers, public space programming resonates most with the residential community and fosters pride and sense of ownership.

Public events are the ultimate "destination use." One-off events and regularly scheduled events that people can come to expect on specific dates (daily, weekly, monthly or annually) are effective in luring customers who might not otherwise be drawn to the Project; they are also tremendously effective in drawing infrequent visitors to the Project on an increased basis. As a prominent, centrally located site, Waterfront Station possesses exceptional potential for events that are highly visible. The rewards of a commitment to eventing are both tangible and intangible. In addition to generating foot traffic and creating new consumer habits, public space programming represents a tremendous opportunity to connect with the community, generating loyalty and a sense of ownership. Ownership and property management will staff the project with resources capable of executing such a strategy at a high level.

Waterfront Station is already home to a line-up of public events, including a weekly Saturday farmers' market (May through November), a bi-weekly outdoor event featuring food, live performances and art (May through October) and, for the first time, the 2017 DC State Fair (September). With the development of the surface parking lot for 425 M, ownership will shift these events to the East and West Plazas and to the Metro Plaza. While individually speaking these spaces are smaller and (in the case of the East and West Plazas) more linear, their geometry spreads out activity in a way that a large central space does not.

### ***Event Sample***

#### **Showtime for Kids**

Interactive outdoor plays where kids are invited to participate with local stage troupes in key roles, adding to and changing the storyline.

#### **Weekly Concert Series**

Weekly concert events, featuring local talent.

#### **Summer Outdoor Movies**

Sponsored by local companies and institutions.

#### **Monthly Craft Bazaar**

A featuring of local merchants and producers, spilling out onto streets and sidewalks.

#### **Seasonal Festivals**

Quarterly weekend event, featuring seasonal food and traditions.

#### **Annual Cook-off**

Competition featuring popular local chefs and restaurateurs.

#### **Annual Film Festival Screening**

Sponsored by local companies and institutions.

#### **Theatre in the Round**

Theatrical performances by various local troupes.

#### **Artwalk**

Exhibits and demonstrations by local artists and art institutions.



## CONCLUSION

With the completion of Waterfront Station, the Project will possess the qualities critical to the success of a neighborhood town center. The Project's significance to the community is paramount and when complete, Waterfront Station will give Southwest Waterfront the central place for shopping and congregation that people expect in a vibrant community.

### Recommendations

- Execute residential strategy for 375/425 M Street
- Enhance signage and brand focus on East and West Plazas (pedestrian streets)
- Enhance signage and brand focus on Metro Plaza
- Increase food and beverage ratio to 20% - 30% of retail square footage
- Increase neighborhood goods/services ratio to 20% - 30% of retail square footage
- Employ the use of diverse and dynamic storefronts to enhance sense of place
- Build from existing public space programming to be even more active in community
- Embark on a brand-building and awareness strategy for Project

The Project's scale, location, accessibility and mix of uses are well-suited to bring the day-to-day services and sense of place this growing residential community needs and wants. It is the remaining pieces that have yet to be built that will catapult the Project's role in the community. The remaining buildings are critical to the framing of key spaces, which represent more than just additional square feet of retail but instead, finally give the "bow" or "frame" so important to creating sense of place; its identity. The necessity of phasing is genuine, but to date, Waterfront Station has lacked a "there" there and the feeling of incompleteness is noticeable when experiencing the Project; not just in terms of the number of stores or dining establishments but also in how the space feels. The M Street Buildings represent only a part of the total development buildout but they carry the weight of making this Project successful in bringing to the community a vibrant place for all people, during all times of the day, week and year. They will do so most productively with the proposed change from office to residential and with this change, the Project's retail potential will be maximized.