

OCTOBER 2021

EXPLORING THE

FUTURE OF

SHOPPING MALLS IN

GREATER PHILADELPHIA

# WHAT'S IN STORE





### **The Delaware Valley Regional Planning Commission**

is the federally designated Metropolitan Planning Organization for the Greater Philadelphia region, established by an Interstate Compact between the Commonwealth of Pennsylvania and the State of New Jersey. Members include Bucks, Chester, Delaware, Montgomery, and Philadelphia counties, plus the City of Chester, in Pennsylvania; and Burlington, Camden, Gloucester, and Mercer counties, plus the cities of Camden and Trenton, in New Jersey.

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## Executive Summary

The last decade has been a tumultuous time for many shopping malls. The rise of e-commerce and significant shifts in consumer behavior have contributed to struggles that have only been exacerbated by the Coronavirus Disease (COVID-19) pandemic. Of the more than 1,500 malls that once existed in this country, more than 500 have shuttered or been redeveloped and analysts suggest that even more dramatic changes could be in store.

The decline of the shopping malls has the potential to reshape the suburbs and raises important questions for the communities where these properties are located.

- How are mall properties being adapted in response to retail and economic trends?
- How can local governments and mall owners work together to revitalize mall properties?
- What alternative uses may make sense for obsolete malls?

This report summarizes research conducted by the Delaware Valley Regional Planning Commission (DVRPC) that is designed to help our planning partners address these questions and better understand the opportunities and challenges presented by struggling and/or vacant mall properties. The document is divided into three chapters that assess the state of shopping malls in Greater Philadelphia, summarize trends in shopping mall redevelopment, and outline steps that local governments can take to assess the health and redevelopment potential of mall properties. Three key findings emerged during the course of this study.

**Property owners and developers have deployed an increasingly broad range of strategies designed to revitalize, repurpose, and redevelop struggling malls across the country.**

Change and reinvention are nothing new to most malls. Throughout their history, mall property owners have needed to revamp tenant rosters, renovate buildings, and add amenities to compete with each other, as well as other forms of retail and entertainment. However, in the face of economic challenges that threaten the very existence of malls, owners and developers have broadened their approach to managing mall properties in ways that can have a profound impact on a community.

This report identifies 11 strategies that are being used to revitalize malls and/or repurpose mall properties. These strategies have been organized into three overlapping categories: reposition, diversify, and transform. Together, these categories represent a range of options that vary in their scale, intensity, reliance on retail, and local government involvement. By understanding these trends, local governments in Greater Philadelphia can have more proactive and productive conversations with the entities that own and manage malls.

**Although some malls may be obsolete, many mall properties may have significant reuse and redevelopment potential.**

Today's aging malls may be the wrong use for the right site in some communities. They generally have good locations near major roadways and in some cases public transit, and the land they occupy is already serviced with water, sewer, and electricity. Most malls also feature large surface parking lots that provide developers with room to erect new buildings or expand existing ones. Where present, pad sites may provide additional options for redevelopment, or they can be leased out to provide a source of income while a redevelopment project is underway.

Many of the region's suburbs have also changed significantly in the years since their malls were built. Areas that once featured low land prices and low-density residential development are now more urban locations, with higher land prices, higher densities, traffic congestion, and demand for more amenities and different uses. These conditions present a range of new development options that were likely not available when the original malls were built. In many cases, mall properties may occupy real estate that can be repurposed to better serve current market demand and community needs. For some municipalities, the redevelopment of a mall property could enable the creation of walkable urban places in communities otherwise lacking this kind of environment.

**Although typically initiated by the private sector, local governments have a valuable role to play in the redevelopment of mall properties.**

Local governments have a vested interest in the success of a mall property because of the revenue it generates via taxes and the impression that it creates for residents and visitors. In many situations, failing malls may represent opportunities for the public sector to begin proactively considering the longer-term future of retail in their community and envisioning alternatives for obsolete shopping malls.

Even though the property owner, not the local government, most frequently determines if or when to redevelop a site, local governments have the responsibility to conduct the planning and draft the ordinances that establish the framework for redevelopment. As such, some of the most valuable preparation for redevelopment begins long before an official land development process is initiated.

## **Guiding Principles**

Transforming a mall property into something new presents a unique set of challenges because of the sheer size of most sites and the lengthy timeline of most redevelopment projects. The redevelopment options for any given property will also be dictated in large part by local site characteristics and economic conditions. Because of this complexity, local governments need to remain flexible and work with a variety of stakeholders to craft redevelopment solutions that are customized to the needs of the community and the individual site.

DVRPC has identified eight interrelated Smart Growth planning considerations (discussed in Chapter 3) that can help guide the decision making of local governments before and during a redevelopment project. Although not all of these considerations may be relevant in each case, together they can be used to help local governments formulate a coordinated approach to the land use and transportation planning for these critical sites.

1. Expand your field of vision.
2. Focus on equitable development.
3. Craft an inclusive vision through public engagement.
4. Reassess housing needs.
5. Capitalize on the demand for walkable urbanism.
6. Elevate the experience of a place.
7. Maximize connectivity and transit access.
8. Identify opportunities for sustainable design and environmental repair.

# **The Rise and Fall of Shopping Malls**

The first enclosed shopping mall opened in 1956 in Edina, Minnesota. Known as the Southdale Center, this mall became a model for the type of structure that, by the end of the 20th century, would become a defining feature of the American landscape and the dominant form of retail. After decades of success, the popularity and lifespan of some malls has reached an end. These properties represent a unique set of opportunities and challenges for local governments and developers.

Approximately 1,500 enclosed shopping malls have been built across the United States since 1956. Researchers estimate that roughly 1,000 malls are still being used for their original purpose, while about 500 have closed or changed to a different use.<sup>1</sup> For many of these remaining malls, the COVID-19 pandemic has accelerated a demise that was already underway. Changing consumer preferences, the emergence of e-commerce, and a host of other factors have contributed to the decline of malls over the last decade. One consumer research firm, Coresight Research, has estimated that as many as 25 percent of America's malls could close by 2025.<sup>2</sup> The decline of shopping malls has the potential to reshape the suburbs and raises several important questions for municipalities dealing with vacant or struggling malls in their communities.

- What is the future of brick-and-mortar retail?
- Which malls will survive?
- How can local governments and mall owners work together to revitalize mall properties?
- What alternative uses may make sense for obsolete mall properties?

## **Document Overview**

To be sure, not all malls are suffering equally. Prior to the pandemic, "Class A" super-regional malls, larger structures generating higher sales per square foot than their peers, appeared to be doing better than ever. These malls are typically located near high concentrations of suburban wealth and able to justify higher-than-average rents thanks to lower vacancy rates, higher-end tenants, and steady foot traffic. By comparison, regional malls have been more vulnerable to vacancies and closings. In many cases, the traditional strategies that mall owners have relied on in the past—building renovations, new tenants, and marketing campaigns—may prove insufficient to address the shifting realities of today's retail landscape, discussed on page 5.

Many of the region's suburbs have also changed significantly in the years since their malls were built. Areas that once featured low land prices and low-density residential development are now more urban locations, with higher land prices, higher densities, traffic congestion, and demand for more amenities and different uses. These conditions present a range of new development options that were likely not available when the original malls were built. In many cases, mall properties may occupy real estate that can be repurposed to better serve the community.



This report summarizes research and outreach conducted by DVRPC's Office of Smart Growth to help our planning partners better understand and respond to issues related to struggling mall properties. The remainder of this chapter surveys the state of shopping malls nationally and in Greater Philadelphia. Chapter 2 summarizes trends in shopping mall redevelopment. Chapter 3 presents planning considerations that can help inform local governments searching for ways to revitalize mall properties as greater community assets. The analysis and recommendations presented in this document were informed by conversations with representatives from three local municipalities that are home to shopping malls: Middletown Township (Bucks County), Middletown Township (Delaware County), and West Whiteland Township (Chester County).

mall's declining sales and property values. In some communities, property and sales taxes from shopping malls can constitute 20 to 30 percent of the tax base and enable other tax payers, including local residents, to pay relatively less.<sup>3</sup>

Of course, malls are more than highly valued shopping locations. In many places, a shopping mall may serve as a community's de facto downtown—a central public gathering spot that becomes synonymous with a particular community. As a result, what happens to the mall may partially define what happens to a community. Vacancies help to create the perception that a place is not economically viable, and empty stores can deter new investments in a community. In the extreme, empty malls can become magnets for vandalism and other crimes, dragging down the value of surrounding properties.

**Local governments have a direct stake in a mall's performance because of the revenue it generates via taxes and the impression it creates for residents and visitors.**

### **Why do Malls Matter to Municipalities?**

Repositioning mall properties in response to changing demographics and shopping habits is not a new topic. The Urban Land Institute (ULI) published its *Rethinking Malls* report in 2006, and *Retrofitting Suburbia: Urban Design Solutions for Redesigning Suburbs* chronicled the repurposing of several mall sites across the country in 2009. However, planning for the future of malls has only become more urgent for communities throughout Greater Philadelphia in recent years.

For local governments, a vacant or declining shopping mall can negatively impact a municipality's finances and its image. Malls are major employers, and increasing vacancies can result in a significant loss of jobs. Malls are also engines of property and sales tax revenues, which decrease alongside a

Despite these challenges, declining mall properties may present significant opportunities for reuse and/or redevelopment. The lack of well-located, inexpensive, undeveloped sites in our region's mature suburban markets is driving interest in retrofitting and reinhabiting outdated or obsolete mall and business park properties. In many communities, malls often occupy the largest remaining land parcels under single ownership. Although the value of these sites has increased markedly since they were built, most of the land may still be underutilized because it exists in the form of parking lots. If economic conditions are right, these properties can provide valuable opportunities to intensify development by adding land uses and development products that suburban communities may need but often lack. Candidates for new development types may include town centers, housing designed to serve changing demographics, mixed-use environments, and civic and cultural facilities.



Malls thrived in an era in which highways, expanding suburbs, and decentralization spelled success.

### Why Are Malls in Trouble?

Packed with apparel shops, movie theaters, department stores, and eateries, the specific composition of shopping malls has made them particularly vulnerable to the economic fallout from the COVID-19 pandemic. However, even before the pandemic dealt a heavy blow to the economy, many malls were finding it increasingly difficult to survive the growing competition from online shopping and other shifts in consumer spending.

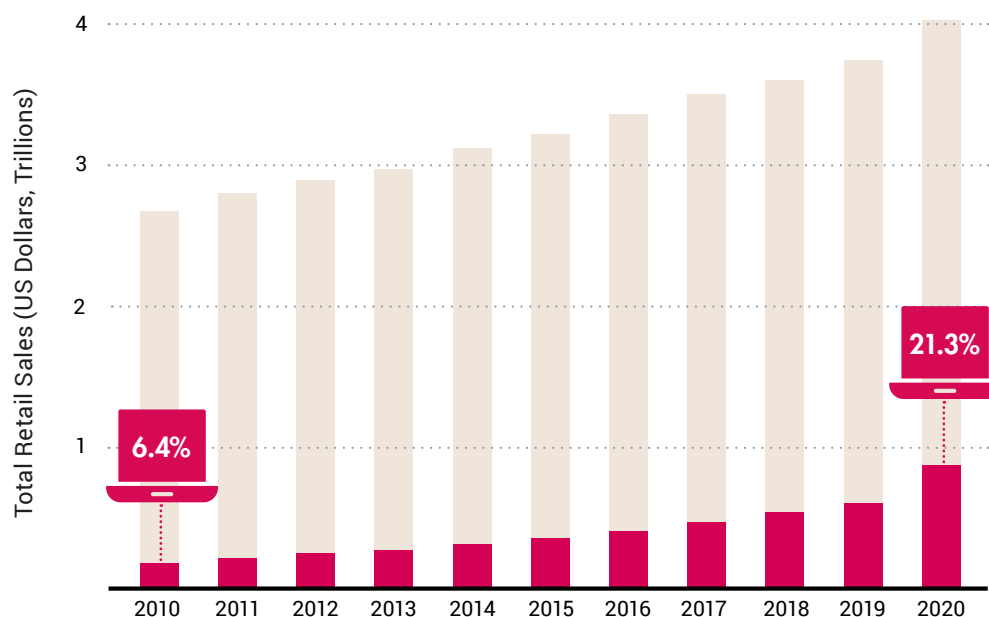
The traditional operating model for shopping malls was conceived at a time of rapid suburban growth, decades before the birth of the internet. The advent and maturation of online shopping threatens traditional commerce by presenting consumers with the opportunity to purchase an increasingly broad array of

products from the comfort of their homes—or anyplace they have access to the internet. Today, malls are just one facet of the brick-and-mortar retail sector that is struggling to adapt to this rapidly changing landscape.

Unsurprisingly, the role of e-commerce has grown significantly over the last decade. The online share of shopping purchases grew from 6.4 percent of total retail purchases in 2010 to 21 percent in 2020 in the United States. That is up from 15.8 percent in 2019 and 14.3 percent in 2018 (see Figure 1). Online retail sales grew by an average of roughly 15 percent between 2010 and 2019 before experiencing a pandemic-induced jump of 44 percent between 2019 and 2020. Over the last decade, e-commerce sales grew from \$136 billion to \$861 billion, an increase of over 530 percent. During the same time, in-store sales grew from \$2.5 trillion to \$3.1 trillion, a more modest increase of 27 percent.

Media reports often emphasize the role that the internet has played in disrupting

Figure 1: E-commerce Sales as a Percentage of Total Retail Sales



Source: Digital Commerce 360, US Department of Commerce

Online sales now account for over 21 percent of all retail purchases. Between 2010 and 2020, e-commerce sales grew from \$136 billion to \$861 billion, an increase of over 530 percent.

**During the pandemic, movie theaters and clothing shops have faced long windows of being closed, while consumers could still visit strip centers for food, cleaning products and other essentials.**

the business of shopping malls; however, other shifts in consumer spending are also at play. Although brick-and-mortar retail sales have never been higher, in-store consumer spending has been shifting from mid-priced and upscale brands to more bargain-oriented retailers, exemplified by retailers such as Walmart, Target, Costco, and “dollar” stores. As a result, malls today must contend with tougher store competition from these big boxes and discounters, which typically locate in various types of shopping centers external to malls. Analysts suggest that the allure of these mall alternatives comes from the broad range of products they offer, their ubiquity, and competitive prices.

Some researchers also contend that the plight of malls can be tied to increased consumer spending on experiences rather than conventional products. This theory suggests that shoppers, particularly millennials, are choosing entertainment, dining out, travel and other “experiential” purchases over products typically sold in stores. Other researchers cite the standardized and predictable design and layout of most malls as a deterrent to customers who are increasingly seeking authenticity and deeper connections to their community, as well as a shopping experience that can be more easily integrated into their daily activities.

Although there may be some truth to both explanations, the reality may be more mundane: many consumers have less discretionary cash for physical retail goods because they are spending more on healthcare, internet access, cell-phone service, rent, and prescription drugs than they have in the past. For example, clothing represented 4.5 percent of consumer spending in 1997, but by 2017, that figure had dropped to 3 percent. During

that same period, spending on health-care services rose from 14.5 percent of consumer spending to 16.9 percent.<sup>4</sup>

## **The Decline of Department Stores**

Since their inception, American malls were built around department stores: large retail establishments offering a wide array of consumer products in different areas, or departments, of the store. Constituting approximately 30 percent of mall square footage in the United States, these stores became household names and have historically served as anchor tenants that could be counted on to generate shoppers for smaller “in-line” stores.

However, department stores have suffered along with the rest of the brick-and-mortar retail sector. After peaking at \$232 billion in 2000, department store sales decreased by over 40 percent over the next two decades.<sup>5</sup> This contraction had forced many department store chains to close stores and/or file for bankruptcy protections even before the temporary closures prompted by the COVID-19 pandemic were enacted. Based on the economic fallout of 2020, Green Street Advisors, a real estate research firm, predicted that as many as half of mall-based department stores could be shuttered by the end of 2021.<sup>6</sup> Even if this prediction is overstated, additional department store closures could have ominous implications for many malls beyond reduced foot traffic. Some small mall retailers have clauses in their leases, known as co-tenancy clauses, that allow them to pay reduced rent or even cancel a lease if two or more anchor stores cease operations.

The large size and prominent locations of department stores have often made them the focus of redevelopment and reuse efforts. For example, an empty Sears store at the Neshaminy Mall in Bensalem is currently being repurposed as a medical office building that will include dedicated parking for patients, a covered drop-off pavilion, and a dedicated entrance and lobby.



Source: CoStar Realty Information Inc.

The redevelopment of a former Sears into a medical office at the Neshaminy Mall illustrates two shopping mall trends: the repurposing of anchor stores and the diversification of uses and services.

## Classifying Mall Types

Although thousands of malls of all different shapes and sizes were built in the second half of the 20th century, the basic layout of enclosed malls has remained the same since 1956: two or more large department stores at either end, connected by smaller shops in between. Most malls are enclosed, populated with well-known chain stores, and surrounded by plentiful parking. Several of the most common elements of mall design are illustrated in Figure 2 on page 8.

Historically, malls have offered many shopping advantages, and their success was in part driven by their unique position within a metropolitan area's marketplace. They are typically located at the most accessible and visible locations along major roadways and surrounded by large swaths of middle-class suburbs. Unlike strip malls, which are more likely to be family owned, most enclosed malls are owned by corporate entities that provide controlled shopping environments that are commonly perceived as clean, safe, and predictable. At their height, malls offered the largest concentration of the most desirable brand-name stores in their trade areas.

Malls can range in size from several hundred thousand to more than 3,000,000 square feet. Size is the most important distinguishing characteristic used to categorize shopping mall types.<sup>7</sup> All malls typically provide shopping goods, general

merchandise, apparel, furniture, and home furnishings. **Regional malls** are built around one or more full-line department stores with minimum gross leasable areas (GLAs) of 100,000 square feet or more. Regional malls typically range from 300,000 to more than 1,000,000 square feet.

Shopping malls with more than 750,000 square feet GLA and three or more department stores are considered **super regional malls**. Because of its larger size, a super regional mall has more anchors and a broader selection of merchandise, and draws from a larger population area. Regional and super regional malls share many design attributes; however, super regional malls are more likely to include multiple levels.

**Outlet centers**, consisting of manufacturer's outlet stores selling their own brands at a discount, can sometimes take the form of an enclosed mall. Outlet centers typically range in size between 50,000 and 500,000 square feet and do not have to be anchored.

In addition to size, malls are frequently assessed according to their economic productivity and the quality of their tenants. One of the most well-known classification systems is maintained by Green Street Advisors and sorts malls into four grades—A, B, C, and D with pluses and minuses. A class A mall might generate more than \$500 per square foot, while a class C mall might only generate



**Figure 2: Anatomy of a Mall**

Several typical design features of conventional enclosed malls are illustrated in this diagram. Although the retail format of some malls may be obsolete, their location and layout can make them a good candidate for redevelopment. Malls often have close proximity to freeways and public transit, increasing their potential for office, residential, or industrial uses. Most malls feature large surface parking lots that provide room to erect new buildings or expand existing ones. Pad sites, or outparcels, may provide additional options for redevelopment, or they can be leased out to provide a source of income while a redevelopment project is underway.



\$250. In addition to sales data, mall classifications also consider other factors like characteristics and size of trade area, accessibility, parking facilities, and more intangible aspects of atmosphere. Analysts suggest that there are approximately 300 class A malls in America and more than 700 class B, C, and D malls.<sup>8</sup>

Class A malls have generally remained dominant shopping centers in their respective markets. The combination of luxury and/or high-end tenants, affluent surroundings, and, in some cases, tourist shoppers, has enabled them to survive and often thrive, despite the rise of e-commerce and shifts in consumer spending. Alternatively, the so-called C- and D-rated malls, which bring in lower sales per square foot, have been more susceptible to vacancies and closures in recent years. Analysts expect these properties to represent the majority of malls that will close or be repurposed in the coming years.

## Shopping Malls in Greater Philadelphia

The Cherry Hill Mall, which opened in 1961 in Cherry Hill, New Jersey was the first enclosed shopping mall to open in Greater Philadelphia; and Philadelphia Mills, an outlet mall that originally opened as Franklin Mills in 1989, was the last to be built. Recent changes have reduced the number of enclosed shopping malls found in Greater Philadelphia from 18 to 16 (see Figure 3 and Table 1). The Burlington Center Mall in Burlington Township, New Jersey closed in 2018 and was demolished in early 2021. Additionally, the Granite Run Mall in Middletown Township, Pennsylvania was recently converted into a lifestyle center known as the Promenade at Granite Run. More information on this transformation is included in Chapter 2.

Shopping malls can be found in every county in the region, although Montgomery County, with four malls, is home to the most. Seventy-five percent of the region's malls are located in municipalities



The Cherry Hill Mall opened in 1961 and was renovated in 2009 (left). The Philadelphia Mills outlet mall originally opened as Franklin Mills in 1989 (below left). In 2016, a major renovation at the King of Prussia Mall added 155,000 square feet and connected to previously separated buildings (below).



Source: CoStar Realty Information Inc.

that DVRPC classifies as “developed communities” for planning purposes. Developed communities are places that have already experienced most of their population and employment growth. These areas include inner-ring communities, railroad boroughs, and mature suburban townships. Two malls are located in “growing suburbs,” and two malls are located in the “core city” of Philadelphia.

Based on amount of leasable area and the number of anchors, 12 of the region’s malls qualify as super regional malls, and three are best classified as regional malls. Excluding the relatively compact Fashion District Philadelphia in Center City, these malls average roughly 135 acres in land area. The King of Prussia Mall in Upper Merion Township is an outlier in both its GLA and land area. The mall, which opened in 1963, consisted of two separate buildings, known as the Plaza and the Court, until 2016, when a major renovation was completed, and the two buildings were connected.

Change and reinvention have become familiar themes for malls in Greater Philadelphia in recent years. In addition to the closing and conversion referenced above, area malls have revamped tenant rosters; found new ways to reuse shuttered department stores; expanded entertainment options; and added new residential/commercial uses and anchor stores. Chapter 2 inventories these strategies and others that have been used to revitalize and/or reimagine mall properties around the country.

**Figure 3: Malls in Greater Philadelphia**

Greater Philadelphia is currently home to 16 shopping malls, including three regional malls, 12 super regional malls, and one outlet mall. Information on the age and size of these malls is contained in Table 1.

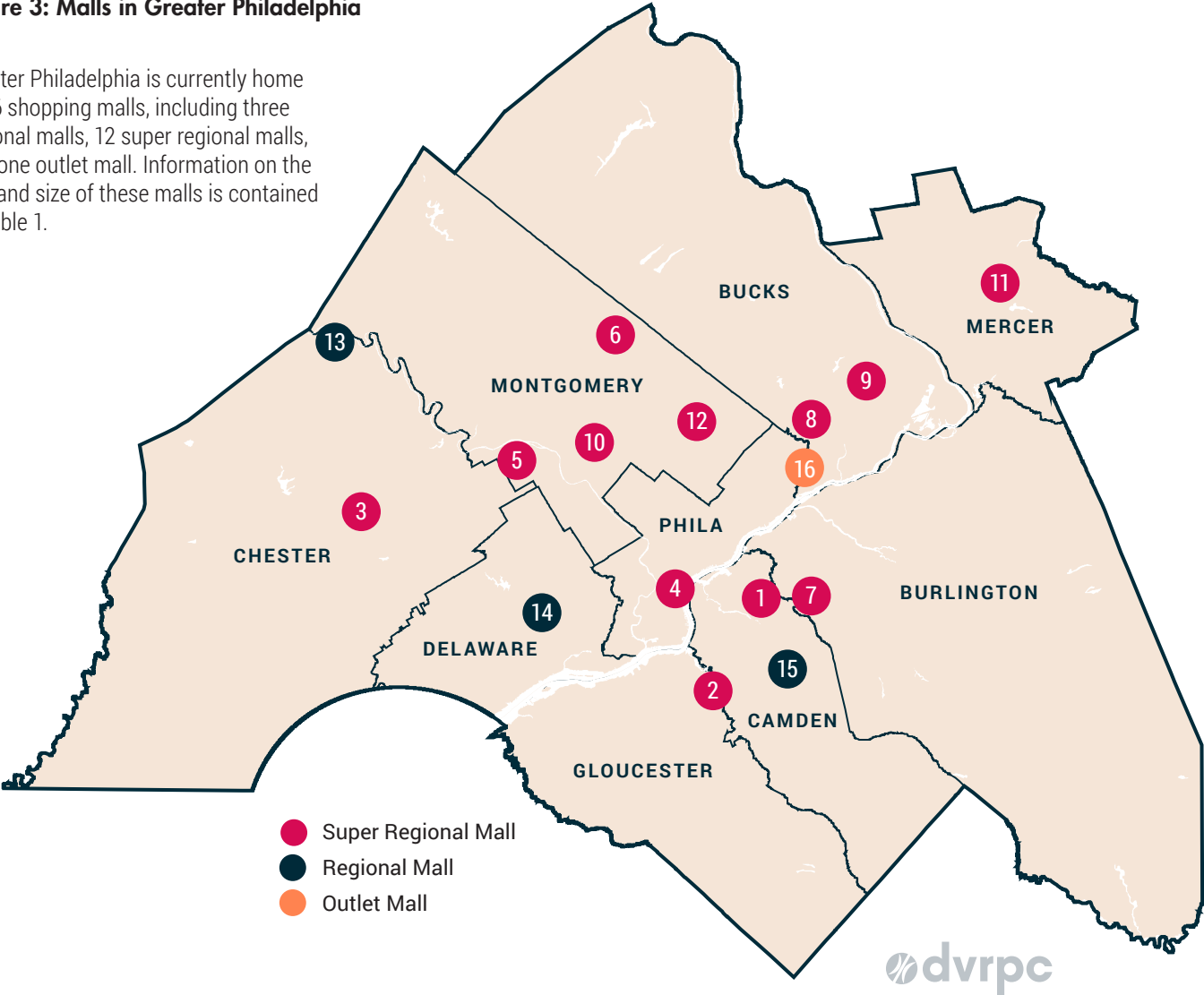




Table 1: Malls in Greater Philadelphia

Super Regional Malls	LOCATION	YEAR BUILT	SIZE (ACRES)	GLA (SF)*
1. Cherry Hill Mall	Cherry Hill, NJ	1961	95	1.3 M
2. Deptford Mall	Deptford, NJ	1975	141	1 M
3. Exton Square Mall	West Whiteland Township, PA	1972	73	991 K
4. Fashion District	Philadelphia, PA	1977	30	1.4 M
5. King of Prussia	Upper Merion, PA	1962	715	2.7 M
6. Montgomery Mall	Montgomeryville, PA	1976	94	1.1 M
7. Moorestown Mall	Moorestown, NJ	1963	127	1.1 M
8. Neshaminy Mall	Bensalem, PA	1968	194	780 K
9. Oxford Valley Mall	Middletown Township, PA	1973	188	1.2 M
10. Plymouth Meeting Mall	Plymouth Township, PA	1965	89	882 K
11. Quaker Bridge Mall	Lawrence, NJ	1976	100	1.1 M
12. Willow Grove Park	Abington, PA	1982	81	1.1 M
Regional Malls	LOCATION	YEAR BUILT	SIZE (ACRES)	GLA (SF)*
13. Coventry Mall	Pottstown, PA	1966	53	733 K
14. Springfield Mall	Springfield, PA	1974	70	610 K
15. Voorhees Town Center	Voorhees, NJ	1970	126	1.1 M
Outlet Center	LOCATION	YEAR BUILT	SIZE (ACRES)	GLA (SF)*
16. Philadelphia Mills	Philadelphia, PA	1989	139	1.6 M

\* Gross leasable area measured in square feet

Source: CoStar



# Reimagining Mall Properties

The 11 strategies discussed in this chapter have been organized into three categories: **reposition**, **diversify**, and **transform** (see Figure 4). Broadly, these categories represent generalized approaches to mall property management and redevelopment that vary in their scale, intensity, reliance on retail, and local government involvement.

Strategies in the reposition category retain retail as the core focus of a property but seek to refine and modernize the shopping experience. The diversify strategies can be used to supplement the retail core of a property by adding new uses and expanding the range of services available on site. The options in the transform category present alternative visions for sites that may no longer be viable as retail-only complexes. In reality, these categories frequently overlap and multiple strategies from different categories may be employed simultaneously as part of a comprehensive revitalization or redevelopment effort.

## Repositioning Mall Properties

Although e-commerce continues to claim a growing share of consumer purchases, analysts seem to agree that there will always be a need for physical retail stores. Even the most digital-savvy buyers will have the occasional need to shop in-person for convenience items, and to browse, compare, or closely examine products before buying. Furthermore, shopping will likely always be “something to do,” which helps to explain the persistence and resilience of historic, walkable downtowns and main streets.

When it comes to contemporary malls, the types and amount of retail spaces they contain have and presumably will continue to change in order to keep aging properties functional and competitive. Traditionally,

Figure 4: Categorizing Mall Revitalization Strategies

REPOSITION	1. Service Model and Cosmetic Updates (p. 14)
	2. Replace Vacant Stores (p. 15)
	3. Offer New Retail Uses (p. 15)
DIVERSIFY	4. Incorporate New Retail Formats (p. 16)
	5. Offer New Services (p. 18)
	6. Offer New Experiences (p. 19)
TRANSFORM	7. Incorporate Residential Development (p. 20)
	8. Redevelop as Mixed-Use Center (p. 22)
	9. Convert to Non-Retail Commercial Uses (p. 23)
	10. Convert to Community/Institutional Uses (p. 24)
	11. Convert to Industrial Uses (p. 25)



shopping malls have featured stores selling apparel, accessories, and home goods. However, today these types of products are some of the easiest items to purchase online. The strategies discussed here may be applicable to malls seeking to remain competitive or restore their relevance by refocusing their offerings and refreshing the experience they provide.

## 1. SERVICE MODEL AND COSMETIC UPDATES

Malls attempting to reinforce or revitalize their standing in the market frequently seek to modernize their facilities and spaces in order to meet current operational and aesthetic expectations for what constitutes a dynamic, clean, and convenient retail experience. Today, that retail experience mixes shopping with service. Many modern retailers take a holistic approach to “omnichannel” sales, which consider both in-store and digital sales. More and more storefronts are being configured to optimize this blended approach by offering fewer products for sale while presenting a variety of “showroom” options, such as trying on items, meeting with a style consultant, or picking up and returning virtual orders.

As the opportunity to “buy online, pick up in store” has become more common and popular, stores can be more efficiently designed to accommodate this “BOPIS” model. According to one mall owner, a visit to any shopping center should be “frictionless,” with roomy sidewalks and aisles, easy parking, spaces in which to relax, and a seamless process for picking up purchases either in store or at the curb.<sup>1</sup> Some larger retailers are incorporating aspects of this service model. For example, Market by Macy’s is an experiential, smaller-format Macy’s store within a store that emphasizes “selection and speed, whether shopping digital or store channels.” Those that have opened in Texas offer locally curated boutique-style collections, self-checkout, same-day deliveries, and event space.

In addition to in-store changes, sitewide improvements can help enhance the perception of a mall property. Many mall owners have periodically renovated their properties based on the idea that when the shopping environment appears fun, safe, and inviting, visitors are likely to stay longer, return for future trips, spread the word to friends and family, and spend more money. However, cosmetic renovations are no guarantee of improved business, and some aging malls may be at a severe disadvantage when competing against newer shopping centers that feature more efficient and trendier open-air or “main street” formats. Nonetheless, improvements to mall facades, signage, dining and gathering areas, and landscaping are often the first strategies employed when trying to revive a struggling mall. Some of the most common elements of physical rehabilitation projects include installing naturalized elements, such as landscaping and water features; changing the materials used for walls and floors; using more glass to let in natural light; and integrating enhanced technology.

In 2018, the Westfield Group embraced this approach by publishing a 10-year vision for redesigning its shopping centers. It calls for calming plant life and sensory gardens; networks of waterways; high-tech directories, dressing rooms, and restrooms; reading rooms; and “betterment zones” for mindfulness workshops.<sup>2</sup> Simon malls now use beacons to send offers and information to shoppers’ smartphones, while digital directories and concierge services help visitors navigate, locate deals, and get information about events. Some stores have even begun to embrace “augmented retail,” using interactive touch-screen kiosks and “smart mirrors” to allow guests to review purchase histories, access wish lists, and communicate with sales assistants.<sup>3</sup>

## 2. REPLACE VACANT STORES

Retail vacancies can have a cascading effect that can ultimately threaten the survival of a property as a whole. This is especially true when closings strike larger anchor tenants—typically department stores—which have traditionally drawn a large base of shoppers who then also visit the smaller retailers inside. Accordingly, anticipating and replacing vacant stores is one of the most important responsibilities of mall owners and management companies.

Mall owners may pursue a variety of approaches to filling vacant storefronts. One option is to maintain a focus on traditional retail and replace vacant stores with new ones that adhere more closely to modern buying preferences. For example, many “digital native” retailers that debut online later desire some physical presence to continue expanding their brand. Such popular labels as Allbirds, Away, Bonobos, Casper, Everlane, Indochino, Marine Layer, Peloton, Suitsupply, Thirdlove, Untuckit, and Warby Parker were all once exclusively available via e-commerce but have more recently entered the brick-and-mortar retail market.<sup>4</sup> Attracting online retailers in their ascendancy can reinforce to patrons that their mall is keeping up with shopping trends.

Some mall managers choose a “pop-up” model for filling vacant stores on a seasonal or otherwise short-term basis. Temporary shops work well for seasonal uses, such as haunted houses, Halloween costumes, or Christmas décor. Shops selling personal protective equipment became popular during the COVID-19 pandemic. A Muslim specialty store recently opened at the King of Prussia Mall to coincide with the Ramadan holy month.

Owners can also choose to carve up vacant spaces into smaller stores. This approach may be a particularly appealing strategy for dealing with the large spaces left by shuttered anchor stores. Malls may be able to attract bargain-oriented big box brands, such as TJ Maxx, Ulta Beauty,

and Five Below, by offering retail spaces of roughly 20,000 square feet. This initial process is capital intensive but can be profitable if leasing is successful.

Another alternative is drawing in smaller, locally owned businesses to open or expand into available mall spaces. This may be a more logical choice in older properties or smaller consumer markets that have been deprioritized by larger national retailers. Making malls more “community-based” could attract shoppers looking for a more personalized, boutique experience while also generating opportunities for entrepreneurs with less substantial budgets to take over available space. One such transition occurred at Seminary South, the first mall in Fort Worth, Texas. After this conventional mall property declined in the 1990s, the center was refashioned to target Hispanic consumers, complete with a three-story “mercado” lined with small storefronts, a stage for mariachi concerts and other weekly events, and incubator space for immigrant-run businesses. Now known as La Gran Plaza, part of the transformation was funded by a \$22 million municipal grant.<sup>5</sup>

## 3. OFFER NEW RETAIL USES

To sustain traditional mall retailers, some owners have looked to new retail uses not ordinarily found at enclosed shopping centers. Strongly performing discount retailers and other “big box” stores tend to have smaller trade areas than mall department stores, and although they typically build standalone facilities, some may see potential in a mall-accessible space. Simon, for example, swapped out department stores at its Broadway Square Mall in Tyler, Texas, and Cape Cod Mall in Barnstable, Massachusetts, with Dick’s Sporting Goods and Target. The West Acres Mall in Fargo, North Dakota, replaced Sears with Best Buy. Raymour & Flanigan is now located in part of a former J.C. Penney at New Jersey’s Rockaway Townsquare.



Source: CoStar Realty Information Inc.

A 65,000-square-foot Whole Foods grocery store opened at the Plymouth Meeting Mall in 2010 as part of a larger redevelopment that features a selection of lifestyle retailers arranged around one of the mall's entrances.

In other cases, grocery stores have been seen as a viable way to capture more mall visits from people buying regular staple items. Grocery store chain Stew Leonard's opened their most recent location in a former Sears store at the Paramus Park Mall in 2019. At the College Mall in Bloomington, Indiana, the recent closure of traditional anchors Sears and Macy's has paved the way for the opening of Fresh Thyme Farmers Market, alongside new "junior" anchors like Target, Ulta, and Dick's Sporting Goods. Closer to home, Whole Foods Market was the centerpiece of a redevelopment completed in 2010 at the Plymouth Meeting Mall. The 65,000-square-foot store is part of a newer lifestyle retail component known as the South Plaza Shops, which was constructed on the former site of an Ikea. In 2013, Wegmans replaced a defunct Boscov's store at the Montgomery Mall. In Center City Philadelphia, Giant is currently building out one of its smaller-format Heirloom Market stores in the Fashion District Mall, in an effort to boost the brand's "prominence in the city... and appeal to a wide variety of potential customers," including "commuters, tourists, shoppers and those in nearby office buildings."<sup>6</sup>

The specific layout and parking requirements for grocery stores may not always be compatible with the facilities left

behind by shuttered anchors. For example, grocers typically want large amounts of nearby parking for customers. However, grocery tenants may be part of a mall revitalization strategy when a combination of renovations and new buildings can create the right environment for new tenants.

## 4. INCORPORATE NEW RETAIL FORMATS

Although many indoor shopping malls remain popular, recent development has largely shifted to outdoor centers that combine retail with entertainment and dining spaces. In light of this trend, some owners have opted to turn their malls "inside out" with open-air layouts and exterior access to all stores in place of, or in addition to, interior corridors. An outdoor shopping center more closely resembles a "main street" shopping experience while combining the convenience of plentiful parking with more immediate access to individual shops. Tenants may also view this increase in access and visibility as a benefit. Outdoor spaces that link stores to one another can also be used for events that attract customers to make purchases, perhaps after browsing at a farmers market, attending a concert, or taking a fitness class. Furthermore, this format can be more conducive to the curbside pick-up, physical distancing, and enhanced ventilation protocols that have taken precedence during the COVID-19 pandemic. Although redeveloping as an open-air center may involve significant costs, the reduced expenses on year-round heating, cooling, and indoor lighting offer some potential long-term savings.

An early example of this type of conversion was the Hunt Valley Mall outside of Baltimore, now known as the Hunt Valley Towne Center. Opened in 1981, competition from newer shopping centers led owners to rebuild with an outdoor format and big box stores as its primary large tenants.

Similarly, Nanuet Mall in Rockland County, New York, saw its fortunes decline after the Palisades Center opened nearby. In 2008, Simon announced plans for an





Source: Brookfield Property Partners



Source: Bing Maps, 2018

open-air lifestyle center and bought out or let expire the remaining leases to allow for demolition. The local government in Clarkstown helped to streamline the project's approval: in just nine months, groundbreaking occurred for The Shops at Nanuet, now a "Main Street"-style retail facility that incorporates shops, restaurants, a cinema, fitness center, and supermarket.

In a more recent case, the River Ridge Mall in Lynchburg, Virginia, which is majority-owned by Liberty University, is in the process of reconfiguring the center with outdoor shopping; a food hall; a Marriott hotel; and new commercial facilities like Planet Fitness, Jo Ann Fabrics, and TJ Maxx.

The challenge of recasting an enclosed mall as an outdoor center cannot be overstated. Overlapping property interests, including those of independently owned anchor stores, and the need to temporarily or permanently close or relocate interior tenants present significant barriers. Reaching an agreement with these stakeholders requires a holistic plan for the site, a long-term outlook, and buy-in from the local government. Moreover, these centers are not immune to the changing landscape of retail as buyers move online. In Nanuet, for instance, three of the five anchors had permanently closed by 2019. Although a former Macy's had been partly repurposed as an At Home store, and Fairway grocery will be replaced by Stop & Shop, the Sears space has remained vacant.

## Diversifying Mall Properties

Another way to reconceive a dated mall is to reduce the focus on conventional retail shops and instead diversify the space with other uses, from dining to housing. Recognizing the shift to online shopping, many aging malls have recruited new types of tenants that offer services or experiences in lieu of tangible goods. Modern consumers may no longer view retail shopping as a single-purpose endeavor. Instead, they now may seek to combine shopping trips with other activities like exercise, self-care, getting groceries, visiting the doctor, or seeking out entertainment with family and friends.

The diversification strategies described here seek to provide more varied reasons for consumers to visit mall properties. For example, by adding services and destinations that people already visit on a regular basis, such as restaurants, gyms, beauty salons, and pet groomers, mall shops may see more visitors than they would in isolation. Similarly, institutional uses like daycares, schools, university facilities, churches, library branches, or post offices also generate a significant amount of daily activity that can have a symbiotic relationship with mall retail. Entertainment, or experienced-based retail, within malls is not a new idea. Arcades and multiscreen movie theaters have been fixtures in shopping malls for decades. However, the types and variety of experiential offerings being incorporated into mall sites have become increasingly diverse and now include skydiving simulators, escape rooms, and immersive art installations.

The Streets at Southpoint is a hybrid shopping complex in Durham, North Carolina, that combines traditional mall and outdoor main street components. Opened in 2002, the two portions of the mall are separated by a 70-foot glass wall. Throughout the property, the buildings and public spaces incorporate design cues intended to evoke the atmosphere of downtown Durham and local history.



**“Leveraging the social and experiential aspects of customer experiences will be the key for shopping malls to succeed in competing with online retailing and free-standing discount retailers.”<sup>7</sup>**

**Jie Zhang, Ph.D**  
*Marketing Professor*

## **5. OFFER NEW SERVICES**

Businesses that provide experiences or consumption opportunities—things that generally cannot be purchased online—may offer more potential to shopping centers than continuing to rely on stores that sell physical goods. Service-oriented retailers, including places to eat and drink, exercise, or pamper yourself, rely heavily on foot traffic and are thus more often located on main streets or in standalone facilities on traditional commercial corridors. But because they cater to our daily or otherwise regular needs, attracting them to a mall site can generate a steady stream of patrons who may have visited on a less frequent basis.

Many mall owners have embraced dining as a growing share of their retail space. In Los Angeles, a former Sears building at Westfield Topanga & The Village Mall is being converted into a dining and entertainment district, complete with a food hall, upscale boutiques, cocktail bars and lounges, and other new social and recreational spaces. The Shops at Willow Bend in West Plano, Texas, extended one of its main entrance areas with a cluster of restaurants, allowing people to dine al fresco right next to the mall. Before the COVID-19 pandemic led to heavy restrictions on indoor dining, food halls had begun to rise in popularity, including at indoor shopping malls. Food halls borrow largely from the old-fashioned food court setup but often with bars, as well as “local restaurateurs, healthier options and eclectic fare” that may appeal to younger consumers and lead to longer stays and greater foot traffic at the mall itself. In fact, a 2020 survey by Deloitte showed that a greater assortment of food and restaurants was the top innovation named by consumers to bring them back to malls after the pandemic fully subsides.<sup>8</sup>

Like dining establishments, fitness centers have also grown their presence inside shopping centers, now leasing three times as much space in malls as they did a decade ago.<sup>9</sup> With different gym brands catering to a spectrum of consumer price points, there are options for many different types of mall markets. High-end Equinox, for example, now anchors a converted Sears store at San Diego’s Westfield UTC Mall. Shuttered Sears, Macy’s, and Lord & Taylor stores at malls in Chicago, Oklahoma City, and Tampa all became branches of Life Time Fitness, which markets its gyms as “resorts,” commonly featuring outdoor pools, tennis courts, full-service spas, cafes, and co-working space.

Meanwhile, in 2017, budget-friendly Planet Fitness leased more new square footage nationwide than any other mall tenant.<sup>10</sup> 24 Hour Fitness and LA Fitness also ranked in the top 20 in terms of square footage for new retail leases that same year. 24 Hour Fitness was one of the tenants in the reformatted Shops at Nanuet in Clarkstown, New York. Boutique studios that offer group classes have also been claiming smaller storefronts at the same time. Manhattan Village, a mall outside Los Angeles, devoted an entire wing at its revamped center to fitness, with a CycleBar spin studio, CorePower Yoga, and Coreology, a Pilates chain. It remains to be seen how any lasting impacts from the COVID-19 pandemic will influence retail fitness and its role in shopping malls.

Remote office work may be poised for ongoing growth in the aftermath of the pandemic, which left many white collar employees unable to commute to familiar employment centers in business districts or office parks. This coincides with a years-long trend toward coworking—shared office space with common infrastructure for decentralized and freelance workers or small employers. Suburban malls offer convenient space for coworking facilities to locate in close proximity to retail, dining, and appealing neighborhoods. Industrious, a New York-based coworking provider, recently opened facilities at the

Philadelphia Fashion District, as well as in New Jersey's Mall at Short Hills; Broadway Plaza in Walnut Creek, California; and Scottsdale Fashion Square Mall near Phoenix, in some cases taking over spaces formerly occupied by luxury clothiers like Saks Fifth Avenue and Barneys.

**Consumers still view retail centers as hubs for community and connection. The difference is that most mall visitors are not going there just to buy something. Gensler's Experience Index<sup>SM</sup> for Retail found that more than half of retail consumers recently visited stores to socialize, learn something new, or just spend time with family and friends.<sup>11</sup>**

## 6. OFFER NEW EXPERIENCES

To complement shopping, dining, fitness, and other activities that cater to personal needs, some mall owners have looked to expand the amount of space dedicated to entertainment and play. In the past, this often took the form of a traditional movie theater or video arcade, but leisure experiences have evolved quite remarkably over the years.

Entertainment destinations like Dave & Buster's and ROUND1 can be considered more modern versions of traditional anchor facilities. These destinations offer full-service restaurants, karaoke bars, massive game rooms, bowling alleys, and indoor sports facilities, as well as rentable meeting and event spaces. Dave & Buster's replaced part of the Sears store at New Jersey's Willowbrook Mall—its first in a converted department store—in 2018. Since then, it has replaced other mall anchors in Modesto, California, and Green Bay, Wisconsin. The company also signaled its intent to continue expanding with smaller-scale facilities to suit smaller-sized markets.<sup>12</sup> ROUND1's bowling and amusement centers can now be found at the Deptford Mall, Philadelphia Fashion District, and the Exton Square Mall.



Source: Google Earth, 2019

Other malls have taken a similar approach by attracting destination businesses that do not necessarily rely on foot traffic to bring in customers. As traditional retailers vacated the Ballston Common Mall in Arlington, Virginia, owners replaced them with more experiential concepts. The mall is now home to a food hall, interactive adventure venue, bowling alley-restaurant-and-bar hybrid, recreational culinary school, painting class bar, children's play and learning space, art gallery, and boxing gym. A residential tower with short-term rental rooms was also built on site, rebranded as Ballston Quarter, as was new office space and an ice arena for use by the public and the National Hockey League's (NHL's) Washington Capitals as a practice facility.

Plans for the former Frederick Towne Mall in Maryland—where all interior stores closed and just two anchor stores remain—also place a heavy emphasis on entertainment, with go-kart racing, an arcade, bowling alley, and trampoline park, alongside a luxury movie theater. Local government is helping to ease the transition by removing zoning conditions that would otherwise have slowed down the approval process.<sup>13</sup>

Some playful pop-up and immersive attractions have capitalized on the popularity of social media, with ticketed installations featuring shareable photo

Destiny USA in Syracuse, New York, markets itself as "One Destination. Multiple Experiences." The mall now includes Dave & Buster's, an IMAX movie theater, virtual reality machines, a comedy club, bungee jump, and trampoline park, among other activities.

opportunities and sensory experiences. When Philadelphia's renovated Fashion District was reopened in 2019, two of its larger storefronts were rented by interactive exhibits: Candytopia and Wonderspaces. Play rooms for kids and adults alike filled the King of Prussia Mall's vacant J.C. Penney store when the "Happy Place" pop-up took over in 2019. A year earlier, the mall hosted replicas of masterpiece artwork as a stop on the Van Gogh Museum Editions Pop-Up Tour. Popular toymaker LEGO has also opened several Legoland Discovery Centers at North American malls, including locally at Plymouth Meeting. KidZania is an international experiential learning concept that invites visiting children to populate a miniature "city" with its own currency and economy, and role play different types of realistic jobs. The first U.S. location opened in the Dallas-area Stonebriar Centre Mall, with future locations planned for the American Dream Mall in New Jersey and Chicago's Oakbrook Center.

Another trend in the entertainment sector is the rise of esports, or competitive video games. GameWorks, an arcade-restaurant hybrid, has recently shifted its focus to esports and begun integrating gaming lounges into its facilities, including newer locations in the Mall of America and the Greenbriar Mall in Chesapeake, Virginia. Competitor PLAYlive Nation, marketed as "a nightclub style gaming lounge," now has over 80 current and future locations, with most being inside of malls. Simon has recently partnered with another esports entertainment company, Allied Esports, to create hundreds of gaming lounges in its mall properties. By hosting large esports tournaments, these destinations can potentially draw a regular base of customers to other stores in shopping centers suffering from a loss of foot traffic.

The addition of experiential uses has also been driven by practical considerations. Backfilling vacant stores with entertainment options is more cost-effective than larger scale redevelopment. It should be noted that, owing to their inherent interactivity, experiential uses

were severely impacted by the closures and social distancing orders brought on by the COVID-19 pandemic. Many only recently resumed full use of their existing locations, and the prospects for expansion remain unknown at this time. Furthermore, businesses that rely on media and gaming suffer from the same threat as do traditional retailers: in-home and mobile experiences are increasingly able to provide a competing, convenient service. Finally, some entertainment concepts have had relatively short lifespans for other reasons. In one case, prominent virtual reality center operator The VOID shuttered its mall-based storefronts after Disney withdrew its financial support and the rights to its intellectual property, a major source of its consumer appeal.

## **7. INCORPORATE RESIDENTIAL DEVELOPMENT**

An intuitive way to bring more vitality to aging shopping malls is to invite people to live right on site. Residential uses are an increasingly common "densification strategy" employed at older malls to boost the local housing supply and improve retail health. Despite lagging demand for physical retail spaces, there is often a lack of diverse housing options in the suburban locations where malls are frequently situated. Typically, these communities are also mostly built out and lack plentiful land for new residential development. By helping to expand the housing stock—especially with multifamily rental units or attached townhouses that tend to appeal to young professionals and empty nesters—property owners and community officials can work toward achieving greater fiscal stability while also pursuing more efficient, equitable, and sustainable population growth.

New housing on mall properties can take many forms; however, rental apartment buildings are the most common. In some cases, the addition of residential uses can be part of a larger transformation that does away with portions of an indoor mall facility. For instance, in 2019, Starwood Retail Partners LLC announced plans to demolish the 112,000-square-foot former





Source: CoStar Realty Information Inc.

Nordstrom store at The Mall in Wellington Green located in Wellington, Florida, and redevelop the west side of the mall with 700 multifamily units, a hotel, and 22,000 square feet of restaurant space. In other cases, mall owners have inserted multifamily housing complexes near mall buildings on land previously used as surface parking lots.

Mall owners electing to redevelop a portion of the property as multifamily housing may face a variety of zoning issues associated with this reuse. Malls are generally located in commercial or retail zoning districts, which may not permit residential uses. In addition, malls are often subject to zoning overlay districts, which impose additional zoning requirements above those associated with the base zoning district.

Depending on the specific zoning in place, the mall property may have to be rezoned to eliminate any existing overlay district and/or to move the property into a different zoning district before it can be approved for residential use. This may require changes to the zoning code, official zoning map and/or comprehensive plan for the municipality in which the mall is located, all of which may require public hearings before elected officials and local boards.

In addition, depending on how the mall property was initially developed, the property could be subject to a master development plan and/or other document approving an overall plan of development for the property, including specific uses. This development plan would have to be amended to account for the

redevelopment of a portion of the property for residential use. Local governments may wish to consider preemptively making changes to land use regulations for mall properties where residential uses may be appropriate in the future. Some states have taken a proactive approach to reducing regulatory barriers that can make housing development on commercial sites prohibitively challenging. In California, for example, state senators recently drafted a bill that would permit housing on commercial sites without a zoning change, easing the transition for vacant or underperforming shopping centers to take on more productive uses.<sup>14</sup>

Senior housing may be an appropriate revitalization strategy in some communities. By co-locating accessible residences with a variety of nearby amenities, older adults can achieve a relatively self-sustaining lifestyle without needing to travel far or rely on caregiver assistance. An October 2020 survey by the National Association of Realtors (NAR) found Americans older than 55 have an increased interest in homes with walkable access to grocery stores, restaurants and retail.<sup>15</sup> At Seattle's Northgate Mall, the Aljona Thornton Place senior living community was built atop an underused parking lot as part of a mixed-use development. Ongoing redevelopment plans for the site call for new uses like hotels, offices, and a practice facility for the city's new professional hockey team, as well as an outdoor shopping component.

New residences have been built or proposed at numerous mall properties throughout Greater Philadelphia, including the Voorhees Town Center, formerly the Echelon Mall (above left), the Exton Square Mall (above), the Oxford Valley Mall, and the Moorestown Mall.





Source: NearMap, 2015, 2021

Some mall redevelopments result in dramatic transformations. The two aerial photos shown here, taken in 2015 and 2021, respectively, illustrate the transformation of the Granite Run Mall from a conventional mall into the Promenade at Granite Run, an open-air lifestyle center that combines retail, entertainment, and residential uses. The project involved razing the central portion of the mall and repositioning approximately 350,000 square feet of retail around the site. Two of the original mall anchors remained open during the transition, and their location influenced the final design of the center.



Source: CoStar Realty Information Inc.

## Transforming Mall Properties

Some developers have chosen to combine various diversification strategies listed above in order to transform shopping malls into true mixed-use centers. Upon completion, the shopping mall origins of these sites may be undetectable. In other cases, dead or declining mall properties may be transformed in other ways that leaves them equally unrecognizable. Another 2020 NAR survey highlights some of these more radical reinventions. Information gathered from NAR's commercial members suggests that some of the most common non-retail reuses of vacant mall sites include warehousing, delivery and distribution centers, healthcare or hospitals, and community colleges.<sup>16</sup> This final section of Chapter 2 outlines some of the ways that mall properties have been transformed across the country.

## 8. REDEVELOP AS MIXED-USE CENTER

As malls with largely single-use commercial formats struggle to remain relevant today, some properties have been reconceived as true, modern "village squares" or "downtowns." These redevelopments often seek to create full-service walkable neighborhoods where people live near employment centers and a variety of recreation, dining, entertainment, and shopping options.

Malls are generally in good locations, often near densely populated suburbs and close to major roadways and transit networks, and they sit on large parcels with existing utility connections. Subdividing the land, rethinking the purpose of existing buildings and parking facilities, and permitting the addition of residences, hotels, offices, community uses, and other amenities, can potentially generate more revenue for the developers and property owners, as well as increase tax receipts for the host municipality.

Notable mall to mixed-use center projects have been completed in places like Lakewood, Colorado; Boca Raton, Florida; Raleigh, North Carolina; Houston, Texas; and Annapolis, Maryland, and are being discussed in numerous other communities.<sup>17</sup> Santa Ana, California's MainPlace Mall is projected to have just 35 percent retail after redevelopment recruits a new balance of office, apartment, and hotel uses. At Orlando's Fashion Square Mall—where anchor stores have struggled despite favorable population and income growth in the area—owners are looking to consolidate ground leases and add apartments, offices, and hotels to complement the as yet undetermined amount of retail space that would be retained.

Planning literature and case studies focused on these dramatic transformations suggest that proactive public involvement is often a significant component of these projects. Local governments can help to facilitate shifts from retail “islands” to urbanized centers by updating land use and zoning regulations to accommodate new uses and buildings or by taking a more active role in development. For example, Phoenix city officials have helped pave the way for the conversion of the Paradise Valley Mall into a town center community by rezoning the site to allow non-retail uses, such as apartments, condominiums, offices, and a new grocery store. In 2011, the City of Westminster, Colorado, purchased the ailing Westminster Mall with the idea of creating a new walkable downtown over a 20- to 30-year time period. The vision includes over 2,000 residential units with affordable housing, refreshed commercial uses, and more than a dozen parks and civic spaces.<sup>18</sup>

Westminster's government plays an active role in bringing the neighborhood closer to reality—building new streets, infrastructure, and public facilities while selling newly subdivided parcels to developers who are otherwise enhancing the built environment.



Source: Rogers Partners

## 9. CONVERT TO NON-RETAIL COMMERCIAL USES

Certain well-situated mall sites may no longer be viable retail destinations, but they may have location or structural advantages that lend themselves to other commercial uses. The open floor plans and airy layouts may be workable as a corporate campus or office complex. Internal hallways and amenity spaces can be retrofitted as terraces, courtyards, or flexible gathering areas where employees can hold meetings, network informally, or relax on a lunch break. Storefronts can be made into convertible collaboration spaces with folding walls and movable furniture. Restaurants, food courts, and shops can be reconfigured as a la carte dining halls, cafeterias, IT equipment and service centers, or supply rooms. A self-contained site with a spacious interior and plentiful parking may hold even greater appeal in the aftermath of the COVID-19 pandemic, especially near dense suburban population centers and with easy access to interstates, transit networks, and other amenities.

The Westside Pavilion in Los Angeles saw many of its tenants depart for neighboring competitor malls in the mid-2010s, leading to its closure in 2019 and redevelopment as an office complex. Ultimately, Google selected the site, now known as One Westwood, for office space due, in part,

The owners of Garden State Plaza in Paramus, New Jersey, plan to overhaul the site, transforming parking lots into new mixed retail, residential development, and a three-acre public park, a restored natural brook, a seasonal hockey rink, and community gardens. The first phase prioritizes improvements around an existing NJ Transit station.

to the building's high ceilings, multilevel atrium, and skylights, as well as adjacent amenities that included a movie theater, restaurants, shops, and ample parking. In Northern California, a gene sequencing company bought the Pleasanton Plaza Mall with plans to demolish it and build their new headquarters. Elsewhere in the Bay Area, the Hilltop Mall's owners are looking to redevelop it into a biotechnology hub, replacing flagging retail uses with booming life sciences. San Antonio's Windsor Park Mall is now the home of web-hosting company Rackspace and their "Castle" of a headquarters. Meanwhile, on the East Coast, the Cary Towne Center Mall in North Carolina was purchased by video game company Epic Games, who intends to transform it into a headquarters.

Even malls that remain open and occupied are branching out into other commercial uses. Some closed department stores have been repurposed as call or data centers. The Sears building at River Ridge Mall in Virginia is used by Liberty University's online campus, and the Macy's at Upstate New York's Via Port Rotterdam is now home to the state's taxation services. Also in Rotterdam, United Auto Supply is using a Sears building for wholesale distribution of its equipment, automotive parts, and accessories, with part of the space functioning as a retail store and some square footage used for the company's e-commerce business. A self-storage facility recently signed a lease in the Mall at Prince George's, in Maryland's Washington-area suburbs.

## **10. CONVERT TO COMMUNITY/INSTITUTIONAL USES**

Some vacant and declining malls have found new life by focusing on public-serving uses. In some cases, larger anchor stores and underutilized parking areas have been used for schools, churches, medical campuses, and even homeless shelters, with smaller interior shops repurposed as local businesses, government and real estate offices, armed forces recruiters, pharmacies, medical practices, and

cultural or event spaces. The extent of the makeover is typically influenced by the strength of the local economy, interest from national retailers, and the outlook for commercial reuse. Some conversions may be permanent while others are done on a temporary basis.

Healthcare providers, in particular, appear eager to expand their service areas, and empty anchor stores may provide the types of locations they need. Property owners may view healthcare providers as a stable tenant with expectations of consistent demand given population growth and aging trends. Accordingly, leasing activity in malls by medical clinics grew by nearly 60 percent between 2017 and 2019.<sup>19</sup> In many cases, various types of medical facilities may be a natural fit for vacant mall buildings because of their high ceilings, good airflow, and larger floorplates. In Dallas, the University of Texas Southwestern Medical Center expanded into a former Sears store. Nashville's Vanderbilt University Medical Center took over the One Hundred Oaks Mall, adding about two dozen specialty clinics to one level while retaining a retail focus on the ground floor. The Richland Mall, in Ontario, Ohio, converted an anchor space formerly occupied by a Lazarus department store into medical offices for the Avita Health System in 2014. By 2017, Avita had expanded to a full-scale hospital with intensive care, inpatient, and surgical facilities. The former Landmark Mall site in Alexandria, Virginia, is awaiting its rebirth as the future home of the Inova hospital campus, which will also feature supplemental medical offices, housing, and retail, along with a transit hub, park, and public plazas. Before the renovations got underway, the Macy's store was offered rent-free to Carpenter's Shelter as a temporary homeless facility.

Empty department stores also saw new life during the COVID-19 pandemic as testing and vaccination sites, including at closed anchor stores at New Jersey's Moorestown and Livingston malls. Locally, a Main Line Health Center opened in the Exton



Square Mall in 2014. Both Neshaminy Mall in Bucks County and Moorestown Mall in Burlington County have recently announced plans to open healthcare facilities on their properties.

Schools, colleges, and other institutions have also shown interest in the large flexible floor plans found at empty department stores. Vocational students in Montgomery, Alabama, helped finish constructing their career tech academy inside of a former Parisian department store. At Idaho's Pine Ridge Mall, a charter school took over a closed Sears store. The move allowed the school to add middle and high school grades and expand its classroom space, cafeteria, and gym. Shuttered stores once occupied by Macy's and Shopko became temporary homes for high schools in Burlington, Vermont, and Joplin, Missouri, after environmental hazards and natural disasters left them unable to use their campuses.

In some communities, large churches have sought out vacant mall spaces for large worship centers and other religious uses. The Lexington Mall in Kentucky was bought, demolished, and rebuilt by a church in 2010, and has regularly attracted up to 6,000 weekly attendees. A former Dillard's department store was used for classrooms, offices, and nurseries. The Grand Village Mall in Michigan was largely taken over by a megachurch in 2000, with the remainder of the site divided between the Playworld children's entertainment center, a local YMCA, and an outpatient rehabilitation facility.

Park Central Mall, the first indoor shopping center built in Phoenix, Arizona, is in the middle of being redeveloped into a "community hub" anchored by the Creighton University Health Sciences Campus, which will host schools of medicine, nursing, physical therapy, pharmacy, and physician assistant and emergency medical services programs. In suburban Nashville, retail tenants were cleared out of the Global Mall at the Crossings—formerly Hickory Hall



Source: OT Marshall Architects

Mall—in 2019 to make way for a non-retail reimagining of the site. Although the project has not been fully realized yet, the site includes the campus of the Nashville State Community College, a local library branch, a recreation center, movie theater, and ice rink and practice facility owned by the NHL's Predators.

In 2020, the site of the former Raleigh Springs Mall in Memphis was reborn as the Raleigh Springs Civic Center. The 23-acre complex includes a library, police station, 15-acre lake, walking trails, and a skate park.

## 11. CONVERT TO INDUSTRIAL USES

The reuse of abandoned or struggling malls as industrial, logistics, warehousing, and distribution hubs is a controversial topic that has been getting more attention in recent years. These types of uses typically occupy properties that are flat, spacious, and well connected to utilities and highway networks. By the middle of 2020, real estate company CBRE had tallied 59 retail-to-industrial conversions in the pipeline across the United States, up from 24 seen in January 2019.<sup>20</sup>

Modern buying habits are at least partly the cause. Retailers continue to increase their use of the freight network and logistics industry as consumers move to more online shopping. Some stores and malls are already scaling back the area they use for direct sales and instead allocating space to fulfilling online purchases. For example, select malls owned by Brookfield now have mini-distribution centers on site and centralized curbside pick-up locations, often in low-value or hard-to-lease spaces, that existing retail tenants



can rent out. The Washington Prime Group, a real estate investment trust, is in talks to begin redeveloping some of its shopping centers with hybrid “BOPIS” designs, featuring small merchandise showrooms with a larger fulfillment space in the rear. Simon has considered using vacant department stores for Amazon distribution centers. During the busy holiday shopping season in 2020—when many consumers were forced to use e-commerce due to pandemic-related restrictions—Macy’s suspended in-store sales at two sites in Colorado and Delaware, instead converting them to fulfillment centers to handle online orders. However, maintaining a traditional shopping center while carving out significant space for industrial uses presents a variety of challenges, as the uses are not typically complementary.

Some defunct malls have been completely retrofitted for warehousing and distribution. Although this type of transition has been happening with more regularity in recent years, it is still expected to make up just a small amount of the supply of new logistics real estate overall. Mall sites are not always conducive to efficient industrial conversions, which require consistently high ceilings and multiple loading doors. Because of these discrepancies, demolition followed by new construction is a common solution. Regulatory restrictions and public opposition may complicate mall-to-industrial conversions in many communities as well. Retrofitting a property for industrial use may result in a significant property value decrease. Residents may not view new industrial uses as an adequate replacement for the loss of an important local shopping destination. Furthermore, they may be concerned about the loss of jobs, the impact of new freight traffic patterns, and environmental quality.

When retail prospects have been extinguished and conditions are favorable to an industrial conversion, extensive public sector involvement is common. In some corridors, a cluster of industrial uses may already be present or forming in close

proximity to a declining shopping mall. Even in these scenarios, infrastructure upgrades to accommodate new truck traffic are typically needed, and often the government itself may be trying to offload land inherited from an absentee or bankrupt property owner.

Three Ohio examples illustrate how these scenarios can play out. After the City of Akron gained ownership of and demolished the Rolling Hills Mall, it secured a deal with Amazon to purchase the site and build a fulfillment center with over 1,500 jobs. In Toledo, city leaders used tax increment financing to recoup the costs of acquiring and razing the Southwyck Mall, which was also acquired by Amazon for use as a delivery station after the corridor was rezoned amid a rise in industrial demand. At Euclid Square Mall, several failed retail redevelopment attempts eventually gave way to an Amazon fulfillment center after the city officially condemned and closed the mall, rezoned the site and other nearby parcels, and formed a partnership with several regional economic development entities to help finance the deal and related infrastructure improvements.

# Dealing with Vacant or Declining Malls

Communities throughout Greater Philadelphia and the nation are getting hit from all sides by the ongoing contraction and reorganization of the retail sector. For many retailers and property owners, the most pressing concern is the immediate-term survival of retail businesses in the wake of the pandemic. In the short term, shopping malls have needed to implement strong measures to ensure the health and safety of shoppers and their employees, and effectively communicate these measures to customers.

For some malls, these measures and marketing efforts may be sufficient. Class A malls generally have the greatest chance of emerging from the pandemic relatively unscathed. These high-productivity malls, which tend to be located in wealthier areas and renovated more frequently, stand to benefit from the anticipated broader post-pandemic economic recovery.

For other malls, the pandemic has simply exacerbated the challenges they were already facing. Oftentimes, municipal officials and the public may be well aware of the economic challenges facing the most vulnerable malls. Physical signs of a mall's decline may include:

- empty department store(s) and/or numerous vacant spaces;
- an outdated food court; and
- physical defects or signs of aging in the building or parking lots due to deferred maintenance.

In these cases, local governments and the private entities that own and manage malls should begin to proactively evaluate the future of retail in their community and envision longer-term alternatives for obsolete shopping malls. Although mall closures or high vacancy rates typically indicate that a mall property will struggle

to be profitable if it is used exclusively for retail, the location and layout of malls can make them good candidates for redevelopment.

Despite their potential, planning for or assisting with the redevelopment of a struggling mall property may understandably be unfamiliar territory for some municipal officials. Local governments play several critical roles during the redevelopment of a shopping mall; however, the property owner, not the local government, most frequently determines if or when to redevelop a site. Local governments have the responsibility to conduct the planning and draft the ordinances that establish the framework for redevelopment. As such, some of the most valuable preparation for redevelopment begins long before an official land development process is initiated.

This section provides some practical strategies for local governments planning for the future of older shopping mall properties. Based on the strength of the local economy and the scale of redevelopment, some projects may require a public-private partnership, the use of incentives, and/or other financial tools, such as tax increment financing. Although

important, these more technical aspects of redevelopment planning and finance are not directly addressed in this document. The report concludes by summarizing guidelines and planning considerations that can help them navigate the redevelopment of malls in their community.

## **The Municipal Role in Redevelopment**

A local government's approach to dealing with a struggling mall can vary significantly based on a variety of factors that include the municipality's relationship with mall management, where a mall is in its life cycle, real or projected negative impacts on municipal image and finances, staff capacity, and the strength of the local economy.

The following checklist presents a series of actions that can help municipalities guide the redevelopment process and more effectively evaluate redevelopment proposals.



### **ESTABLISH CONTACT**

The first step for some municipalities will be getting in touch with mall ownership. Most shopping malls are owned and operated by a handful of companies that hold large portfolios of properties nationwide. Based on this non-local ownership and the fact that most malls have been operating for decades, many current local government staff may have minimal or no contact with the owners of a mall in their community. Although reaching the right people at these ownership entities may require some persistence, these initial conversations can help local governments gather valuable information, assess the economic health of a property, and more effectively plan for the future.

In many situations, sophisticated ownership entities may already be thinking ahead and considering various options for their mall properties. A helpful and proactive local government could make the difference between ownership deciding to close a mall or pursue some type of

redevelopment or reinvestment in their property. Early communication increases the potential for fruitful collaboration between a local government and the current owner. However, even if the owner ultimately sells the property for reuse or redevelopment, opening the lines of communication can help local governments shape future development projects.



### **GATHER MARKET INTELLIGENCE**

Market intelligence means understanding the underlying reasons for changes occurring in the local retail market and the range of potential alternative uses that may be viable. Local governments can enhance their market intelligence by consulting with retail analysts who work with mall owners or conducting their own study of the local market. Some of the most common market analyses include evaluating the current demographic profile of a retail trade area, surveying the mix of existing retail in a market, researching trends in rent and vacancy rates, and assessing retail "leakage" by category. For malls looking to reposition their offerings, these types of analysis can help identify ways that they can enhance the range of entertainment and recreational amenities they offer.

In other cases, market analysis can drive revitalization strategies that dedicate a portion of the mall property to complementary uses, such as office space or housing. In more extreme cases, market analysis can help set the stage for larger-scale redevelopment projects by identifying a suite of new uses that may be better suited to current market conditions and community needs.

In the early stages of redevelopment planning, local governments and their planning partners should be encouraged to think big. Could this site serve as a new mixed-use neighborhood? A research or high-tech employment center? Or perhaps as a hub for education and community facilities? The answers to questions like these can be informed by

studies designed to investigate the market potential for various alternative uses, such as residential, office, hotel, and mixed-use development. Studies should be designed to assess the relative strengths of a site and identify the potentially appropriate type, uses, and size of a redevelopment project.

Throughout this process, it is important to remember that market realities differ among communities, and even among locations within communities. There will also likely be differences between what the community wants and what the market can support. Local government, residents, and developers all benefit when these local market forces are acknowledged, and planning focuses on achievable outcomes.

**Opportunities for change at a property arise from a range of factors affecting a mall: the market, consumer tastes, retailer direction, corporate mandates, and municipal objectives. A working knowledge of such factors allows for timely identification of opportunities and appropriate responses.**



#### **IDENTIFY MUNICIPAL OPPORTUNITIES AND OBJECTIVES**

Even though most redevelopment proposals are generated by property owners, local governments can prepare to review and evaluate various redevelopment alternatives by identifying the community's priorities for the site. Redevelopment of a high-profile, long-standing property may provide the opportunity to diversify the types of housing available in a community, extend sidewalk and trail connections, create a central gathering space, or any number of other community objectives.

Although many shopping malls are physically separated from residential neighborhoods, citizens often feel a personal connection to their local mall and may have strong feelings about the role that a property can and should play



Source: Google Maps, 2021

in the community. Local governments can help establish a vision for the reuse of a mall by creating forums designed to inform the public about the conditions of a site and solicit feedback about the type, scale, and character of redevelopment that may occur. Although citizens may have starkly different views of what is needed in the community and how to achieve it, local governments can build toward consensus by sharing information and fostering conversations that seek to match community needs with market realities. As more people have the opportunity to share their views, local governments can increase the sense of community buy-in to a redevelopment concept while also refining a list of community objectives that can be integrated into future development where possible.

Local governments can also prepare for a redevelopment process by seeking technical assistance from county planning staff, DVRPC, and/or other real estate and development professional groups. For example, in 2020, West Whiteland Township in Chester County, Pennsylvania, engaged ULI Philadelphia to convene a multiday Technical Assistance Panel (TAP) to help identify strategies for managing growth and creating a sense of community at Exton Crossroads, an auto-oriented commercial district that includes the Exton Square Mall.<sup>2</sup>

The centerpiece of the redevelopment of the Highland Mall in Austin, Texas, is the Highland Campus of the Austin Community College (ACC). ACC selected the site based on its highway access, proximity to public transit, and ample parking. In addition to the campus, a masterplan for the 81-acre site calls for a mix of office space, retail, and residential units, as well as a variety of publicly accessible open spaces and trails.<sup>1</sup>





## MAKE A PLAN

Property owners may generate a concept that involves complete demolition and redevelopment or a more targeted option that updates the property while keeping most of the existing buildings intact. Municipal officials should be ready to use market intelligence and feedback gathered through public engagement to analyze the costs and benefits of any given redevelopment proposal. Informal and formal development reviews should be treated as opportunities to align public policy, community goals, and market realities in support of a plan that benefits all stakeholders.

Once a compelling and appropriate redevelopment concept has been identified, local governments can help facilitate development by offering flexible zoning, providing a clear and predictable approval process, and considering targeted infrastructure improvements. Because the redevelopment of any mall property is a long-term endeavor, municipal officials and property owners will need to create a phased plan for the project that details how the development will unfold over time, who the partners are, and how it will be financed.

Although the physical development plan may receive the most public scrutiny, local governments should think holistically about a site and realize that community priorities can be integrated into many different aspects of a project. The image and character of a repurposed mall site will be heavily influenced by its marketing plan, the amount and distribution of parking across the site, and the relative accessibility of the site for motorists, transit riders, pedestrians, and cyclists.

## Guiding Principles

Transforming a mall property into something new presents local governments and developers with a unique set of challenges because of the sheer size of most sites and the lengthy timeline of most redevelopment projects. Furthermore, the redevelopment options for any given property will be dictated in large part by local site characteristics and economic conditions that can vary over time. Because of this complexity, local governments need to remain flexible and work with a variety of stakeholders to craft redevelopment solutions that are customized to the needs of the community and the individual site.

Through the research conducted for this project, DVRPC has identified eight overlapping Smart Growth planning considerations that can help guide the decision making of local governments before and during a redevelopment project. Although not all of these considerations may be relevant in each case, together they can be used to help local governments formulate a coordinated approach to the land use and transportation planning for these critical sites.



## EXPAND YOUR FIELD OF VISION

As developers plan to refresh and redevelop obsolete malls, local governments have a tremendous opportunity to revitalize a key piece of their community. Municipalities can exploit this opportunity by thinking big and planning holistically. Redevelopment projects may allow municipalities to look beyond the traditional borders of a mall property and develop a vision for a larger district that expands investments into surrounding residential and commercial neighborhoods.

## 2 FOCUS ON EQUITABLE DEVELOPMENT

Historically, the geographic distribution of shopping malls has mirrored the segmented and uneven patterns of prosperity found in every metropolitan region. By design, most conventional malls were built to meet the shopping and entertainment needs of relatively affluent white suburban populations. Accordingly, the redevelopment of obsolete mall properties provides local governments with an opportunity to reconsider the needs of communities that may have densified and diversified in the decades since a mall was constructed.

Equitable development is an approach to land use and development that seeks to meet the needs of underserved communities while fostering places that are healthy and vibrant. In some cases, local governments and developers may be able to work with stakeholders to repurpose aging malls into community assets that can help reduce local and regional economic, health, employment, transportation, and/or environment disparities. For some communities, equitable development may result in redevelopment concepts that incorporate previously unconsidered elements, such as vocational and higher-education institutions, community facilities, open space, and workforce and affordable housing.

## 3 CRAFT AN INCLUSIVE VISION THROUGH PUBLIC ENGAGEMENT

Although many shopping malls may have traditionally drawn shoppers from a five- or 10-mile “trade area,” repurposed mall sites may necessarily be focused on a site’s more immediate neighbors. However, fostering development that meets the daily needs of a local population instead of an anonymous mall shopper requires a deep understanding of a community. Local governments can help create more representative development by facilitating broadly inclusive conversations via public meetings, social media, interviews, and multigenerational and multiracial focus groups.



Source: CoStar Realty Information Inc.

Thoughtful public engagement may result in the added benefit of increased public and political support for an eventual redevelopment project. Time spent securing community buy-in during the early stages of a project can pay dividends later by reducing development time and delays. In some cases, public support will be essential to the success of a project because the new development may require bond issuances to finance some portion of the project, such as infrastructure.

In order to promote a holistic approach to any redevelopment at the Exton Square Mall, West Whiteland Township's Town Center zoning district requires that a Master Plan be prepared to comprehensively guide any development greater than 10 acres.

## 4 REASSESS HOUSING NEEDS

How well does a community’s existing stock of housing meet the needs of current residents? How might new residential development help a community achieve a variety of housing goals, such as diversifying housing choice and price points? Changes to large mall properties create opportunities for local governments to investigate these questions and assess their current and future housing needs.

Housing needs assessments can take many forms, but two of the most common elements are housing stock inventories and housing gap analyses. For the many suburban communities in Greater Philadelphia experiencing increased demand for multifamily residential development, large mall parking lots can and have served as sites for new rental apartments. For more information about multifamily development trends in Greater Philadelphia, please visit [www.dvrpc.org/smartgrowth/multifamily](http://www.dvrpc.org/smartgrowth/multifamily).

## 5 CAPITALIZE ON THE DEMAND FOR WALKABLE URBANISM

Conventional shopping malls are a quintessential example of the type of drivable suburban development that dominated commercial real estate during the latter half of the 20th century. When evaluating strategies to revitalize aging mall properties, developers and local governments should seek to capitalize not only on the extensive utility and transportation infrastructure already in place, but also on the growing demand for walkable urbanism.<sup>3</sup>

Walkable urbanism is an approach to development that emphasizes strategic density; mixed land uses; and multiple transportation options that include walking, biking, and transit. In a successful walkable urban place, destinations such as home, work, stores, restaurants, and schools are within walking distance (roughly one half-mile). The mix and proximity of different uses within a site can maximize the number of trips that are made entirely within a larger, mixed-use development, reducing the need to travel elsewhere to meet the needs of daily life. This “internal capture” of trips can mitigate some of the potential traffic impacts of new development and contribute to the sustainability of a project.

The trend of providing new forms of housing and diversifying the shopping and entertainment options on mall sites is a natural step toward walkable urbanism. Local governments can aid the transformation of these properties into true mixed-use communities by permitting new uses and developing guidelines for the provision of nonmotorized transportation and transit service. For example, mall properties that are being turned “inside out” or redeveloped into mixed-use town center environments need to incorporate sidewalks and parking facilities that encourage visitors to “park once” rather than drive from store to store.

Furthermore, promoting walkable urbanism on these properties may provide local

governments with greater property and sales tax revenues while requiring lower per unit infrastructure and public-service costs than less dense development spread over a larger area.<sup>4</sup>

**"The building part isn't tough. The hard part is creating a civic realm. The streets, the streetscape and a pedestrian quality all must be incorporated to make us feel like this is a real place."<sup>5</sup>**

*Will Fleissig  
Commercial Real Estate Developer*

## 6 ELEVATE THE EXPERIENCE OF A PLACE

As retail companies have adjusted to new economic realities, some have shifted their focus from the distribution of products to the distribution of experiences. For some retailers, stores now function as venues that allow consumers to engage with a brand and its products in a visceral way that cannot be replicated online. “Design for experience per square foot” is a modern retail mantra that also applies to the redesign of mall properties.

In order to succeed today, the residential and commercial portions of retrofitted mall properties will need to avoid the homogeneous experience provided by many conventional shopping malls. Redevelopment projects should include placemaking strategies and feature dynamic public spaces and emphasize local history and context.

High-quality public spaces are easy to walk around in; provide comfortable seating options; and incorporate shade, landscaping, attractive lighting, and public art. These types of places foster informal social interaction and naturally attract people in ways that can make town center environments feel safe, vibrant, and comfortable. Furthermore, vibrant public spaces can generate more economic activity for nearby businesses while providing opportunities for active and passive recreation for neighborhood residents and employees.





Source: Continuum Partners, LLC



Source: SvR

The introduction of new streets and pedestrian connections through a shopping mall site can also enhance the local sense of place by breaking a property into smaller pieces that can be experienced in different ways. Streetscaping treatments, such as street trees, decorative street lights, street furniture, and public art, can help extend the placemaking themes established in public spaces and plazas along streets with high pedestrian activity.

## 7 MAXIMIZE CONNECTIVITY AND TRANSIT ACCESS

Principle 5 emphasized the importance of promoting multimodal connections between destinations within a site. However, redevelopment projects provide new opportunities to ensure that these sites are connected to surrounding communities and nearby destinations in sustainable ways. For near neighbors, public street extensions, pedestrian connections, and multiuse trails can be used to improve connectivity for those living adjacent to mall properties.

For longer distances, adding new or enhancing existing transit service will be a key improvement for many mall properties. Most malls in Greater Philadelphia are currently served by local buses and some even incorporate small transportation centers. As these properties evolve and change, so will the needs of the transit riders traveling to them. It is important that local governments help to coordinate transportation planning with local transit providers to ensure that transit routes,

schedules, and frequencies can respond to any changes in ridership patterns and demand. Although existing bus stops and transit locations may be threatened by redevelopment plans, developers should be urged to incorporate new transit stops and amenities for riders into their designs. Where possible, transit stations can use placemaking strategies that can help ensure that they are fully integrated into a site.

## 8 IDENTIFY OPPORTUNITIES FOR SUSTAINABLE DESIGN AND ENVIRONMENTAL REPAIR

Beyond transportation planning, sustainable design principles should be integrated into all aspects of a redevelopment project. In their influential text, *Retrofitting Suburbia*, Ellen Dunham-Jones and June Williamson allude to the “re-greening” potential inherent on many suburban redevelopment sites. For example, many malls and strip centers that predate wetlands protection legislation were built on wetlands, because these were the areas where large parcels could more readily be assembled. Some of the properties have continuously suffered from poor drainage and occasional flooding. Redevelopment projects may provide the chance to reconstruct wetlands and creeks in ways that repair ecology, provide habitat, and introduce more diverse landscapes to a site.

A failed mall in Lakewood, Colorado, was redeveloped as Belmar, a mixed-use district that incorporates a variety of types of public spaces and public art (above left). The Thornton Creek Water Quality Channel is a water treatment facility and public open space that was constructed on a former parking lot of the Northgate Mall in Seattle (above).





## ENDNOTES

### Chapter 1

<sup>1</sup> Research conducted by Ellen Dunham-Jones regarding the repurposing of shopping malls is discussed in “Malls to Mixed-Use Centers and Other Opportunities,” an article published by the Congress for New Urbanism on October 8, 2019. The article can be accessed at: [www.cnu.org/publicsquare/2019/10/08/malls-mixed-use-centers-and-other-opportunities](http://www.cnu.org/publicsquare/2019/10/08/malls-mixed-use-centers-and-other-opportunities).

<sup>2</sup> Coresight Research’s retail estimates are discussed in “25% of U.S. Malls are Expected to Shut Within 5 Years. Giving Them a New Life Won’t Be Easy,” published by CNBC on August 27, 2020. The article can be accessed at: [www.cnbc.com/2020/08/27/25percent-of-us-malls-are-set-to-shut-within-5-years-what-comes-next.html](http://www.cnbc.com/2020/08/27/25percent-of-us-malls-are-set-to-shut-within-5-years-what-comes-next.html).

<sup>3</sup> In some communities, a reduction in taxes paid by shopping malls may necessitate a reduction in municipal services and/or an increase in taxes levied on other properties. The potential tax implications of struggling shopping malls are discussed in “The Unmallings of America,” an article published by the Lincoln Institute for Land Policy on December 16, 2019: [www.lincolninst.edu/publications/articles/2019-12-unmallings-america-municipalities-navigating-changing-retail-landscape](http://www.lincolninst.edu/publications/articles/2019-12-unmallings-america-municipalities-navigating-changing-retail-landscape).

<sup>4</sup> Recent shifts in consumer spending are discussed in “The Consumer Rush to ‘Experience’: Truth or Fallacy?” published by Deloitte in August 2017: [www2.deloitte.com/us/en/insights/economy/behind-the-numbers/are-consumers-spending-more-on-experience.html](http://www2.deloitte.com/us/en/insights/economy/behind-the-numbers/are-consumers-spending-more-on-experience.html).

<sup>5</sup> Data on department store sales from 1992 to 2019 can be viewed at: [www.statista.com/statistics/197712/annual-department-store-sales-in-the-us-since-1992](http://www.statista.com/statistics/197712/annual-department-store-sales-in-the-us-since-1992).

<sup>6</sup> Green Street’s forecast for department stores is discussed in “Over 50% of Department Stores in Malls Predicted to Close by 2021, Real Estate Services Firm Says,” published by CNBC on April 29, 2020: [www.cnbc.com/2020/04/29/50percent-of-all-these-malls-forecast-to-close-by-2021-green-street-advisors-says.html](http://www.cnbc.com/2020/04/29/50percent-of-all-these-malls-forecast-to-close-by-2021-green-street-advisors-says.html).

<sup>7</sup> Definitions for the shopping mall categorizations discussed in the report are available in the CoStar Glossary: [www.costar.com/about/costar-glossary](http://www.costar.com/about/costar-glossary).

<sup>8</sup> Mall classifications are discussed in “The Transformation of the American Shopping Mall,” published in *Smithsonian Magazine* on September 12, 2017: [www.smithsonianmag.com/innovation/transformation-american-shopping-mall-180964837](http://www.smithsonianmag.com/innovation/transformation-american-shopping-mall-180964837).

### Chapter 2

<sup>1</sup> The concept of frictionless shopping is discussed in “Experiential Retail Isn’t Going Away. It’s Just Changing Its Look,” published by Bisnow: [www.bisnow.com/los-angeles/news/retail/experiential-retail-shopping-malls-107905](http://www.bisnow.com/los-angeles/news/retail/experiential-retail-shopping-malls-107905).

<sup>2</sup> For more information about the Westfield Group vision for the future of retail, please visit: <https://us.fashion-network.com/news/westfield-reveals-vision-for-future-of-shopping,983779.html#.WyaRPxJKjpA>.

<sup>3</sup> Augmented retail is discussed in “9 Case Studies That Prove Experiential Retail is the Future,” published by Storefront on February 18, 2020: [www.thestorefront.com/mag/7-case-studies-prove-experiential-retail-future](http://www.thestorefront.com/mag/7-case-studies-prove-experiential-retail-future).

<sup>4</sup> More information on online brands can be found in “The Ten Online Brands That Have Opened the Most Stores,” published by Forbes on November 14, 2019: [www.forbes.com/sites/laurendebr/2019/11/14/online-retail-brands-most-brick-and-mortar-stores/?sh=3663b178321a](http://www.forbes.com/sites/laurendebr/2019/11/14/online-retail-brands-most-brick-and-mortar-stores/?sh=3663b178321a).

## **ENDNOTES CONTINUED**

<sup>5</sup> La Gran Plaza is discussed in “Mercado of America,” published in *Time* on April 17, 2014: [time.com/66282/hispanic-malls-capture-trillion-dollar-market](http://time.com/66282/hispanic-malls-capture-trillion-dollar-market).

<sup>6</sup> For more information on the Center City location of Heirloom Market, please visit: [www.bizjournals.com/philadelphia/news/2021/05/18/new-giant-heirloom-store-at-fashion-district.html](http://www.bizjournals.com/philadelphia/news/2021/05/18/new-giant-heirloom-store-at-fashion-district.html).

<sup>7</sup> This quote comes from Jie Zhang, Ph.D, professor of marketing at the University of Maryland’s Robert H. Smith School of Business. She was interviewed for “Can Pandemic-Surviving Shopping Malls Actually Thrive?” published by MultiBriefs on May 5, 2020: [exclusive.multibriefs.com/content/can-pandemic-surviving-shopping-malls-actually-thrive/retail](http://exclusive.multibriefs.com/content/can-pandemic-surviving-shopping-malls-actually-thrive/retail).

<sup>8</sup> Deloitte research on the future of food and restaurants is described in “The Future of the Mall: Building a New Kind of Destination for the Post-Pandemic World:” [www2.deloitte.com/ca/en/pages/consumer-industrial-products/articles/future-of-the-mall.html](http://www2.deloitte.com/ca/en/pages/consumer-industrial-products/articles/future-of-the-mall.html).

<sup>9</sup> Trends in shopping mall renovations, including the proliferation of fitness centers, is discussed in “Abandoned Malls Are Sputtering Back to Life with Megachurches, Rooftop Pools and Homeless Shelters,” published by the *Washington Post* on November 22, 2019: [www.washingtonpost.com/business/2019/11/22/abandoned-malls-are-sputtering-back-life-with-megachurches-rooftop-pools-homeless-shelters](http://www.washingtonpost.com/business/2019/11/22/abandoned-malls-are-sputtering-back-life-with-megachurches-rooftop-pools-homeless-shelters).

<sup>10</sup> The growth of various fitness centers, including Planet Fitness, is described in [www.wealthmanagement.com/retail/gyms-are-expanding-and-many-are-eyeing-mall-vacancies](http://www.wealthmanagement.com/retail/gyms-are-expanding-and-many-are-eyeing-mall-vacancies).

<sup>11</sup> This view of retail centers as continuing hubs for community and connection was presented by Gensler in an article entitled “Reinventing the Mall: Developers Are Transforming Struggling Malls into Thriving Urban Lifestyle Centers:” [www.gensler.com/publications/dialogue/35/reinventing-the-mall](http://www.gensler.com/publications/dialogue/35/reinventing-the-mall).

<sup>12</sup> The transformation of an old Sears location into a Dave & Buster’s at the Willowbrook Mall in Wayne, New Jersey, is described in a CNBC article entitled “A Dave & Buster’s Just Opened in an Old Sears Location. Here’s What it Looks Like:” [www.cnbc.com/2018/02/16/a-dave-busters-just-opened-in-an-old-sears-location-heres-what-it-looks-like.html](http://www.cnbc.com/2018/02/16/a-dave-busters-just-opened-in-an-old-sears-location-heres-what-it-looks-like.html).

<sup>13</sup> For more information about the rezoning of the Frederick Towne Mall, please visit: [www.wfmd.com/2020/01/17/frederick-towne-mall-property-rezoned](http://www.wfmd.com/2020/01/17/frederick-towne-mall-property-rezoned).

<sup>14</sup> More information about this bill can be found in “California Lawmakers Aim to Ease Transitions From Big-Box Retail to Housing,” published by Bisnow: [www.bisnow.com/los-angeles/news/multifamily/california-lawmakers-want-to-make-it-easier-to-turn-empty-retail-into-housing-109097](http://www.bisnow.com/los-angeles/news/multifamily/california-lawmakers-want-to-make-it-easier-to-turn-empty-retail-into-housing-109097).

<sup>15</sup> The full results of the NAR 2020 Community Preference Survey can be viewed at: [www.nar.realtor/on-common-ground/the-2020-nar-community-preference-survey](http://www.nar.realtor/on-common-ground/the-2020-nar-community-preference-survey).

<sup>16</sup> The results of the NAR 2020 vacant mall survey are discussed in “Case Studies on Repurposing Vacant Retail Malls:” [www.nar.realtor/research-and-statistics/research-reports/case-studies-on-repurposing-vacant-retail-malls](http://www.nar.realtor/research-and-statistics/research-reports/case-studies-on-repurposing-vacant-retail-malls).

<sup>17</sup> Several mall to mixed-use center conversions are profiled in “Malls to Mixed-Use Centers and Other Opportunities,” an article published by the Congress for New Urbanism on October 8, 2019. The article can be accessed at: [www.cnu.org/publicsquare/2019/10/08/malls-mixed-use-centers-and-other-opportunities](http://www.cnu.org/publicsquare/2019/10/08/malls-mixed-use-centers-and-other-opportunities).

## **ENDNOTES CONTINUED**

<sup>18</sup> More information on the history of Downtown Westminster is available at: [www.westminstereconomicdevelopment.org/development-areas/downtown-westminster](http://www.westminstereconomicdevelopment.org/development-areas/downtown-westminster).

<sup>19</sup> The growth of healthcare providers at malls is chronicled in “Abandoned Malls Are Sputtering Back to Life with Megachurches, Rooftop Pools and Homeless Shelters,” published by the *Washington Post* on November 22, 2019: [www.washingtonpost.com/business/2019/11/22/abandoned-malls-are-sputtering-back-life-with-megachurches-rooftop-pools-homeless-shelters](http://www.washingtonpost.com/business/2019/11/22/abandoned-malls-are-sputtering-back-life-with-megachurches-rooftop-pools-homeless-shelters).

<sup>20</sup> More information on retail-to-industrial conversions can be found in “U.S. MarketFlash: Retail-to-Industrial Property Conversions Accelerate”: [www.cbre.us/research-and-reports/US-MarketFlash-Retail-to-Industrial-Property-Conversions-Accelerate](http://www.cbre.us/research-and-reports/US-MarketFlash-Retail-to-Industrial-Property-Conversions-Accelerate).

## **Chapter 3**

<sup>1</sup> For more information on the conversion of the Highland Mall into the ACC Highland Campus, please visit: [www.austincc.edu/campuses/highland-campus/highland-redevelopment-plan-questions-and-answers](http://www.austincc.edu/campuses/highland-campus/highland-redevelopment-plan-questions-and-answers).

<sup>2</sup> The ULI TAP Exton Crossroads Report can be viewed by visiting [www.westwhiteland.org/DocumentCenter/View/1794/WWT-ULI-TAP-Final-Report](http://www.westwhiteland.org/DocumentCenter/View/1794/WWT-ULI-TAP-Final-Report). For more information on West Whiteland Township’s approach to developing the Exton Crossroads area, please visit: [www.westwhiteland.org/221/Economic-Vitality-Developing-the-Exton-C](http://www.westwhiteland.org/221/Economic-Vitality-Developing-the-Exton-C).

<sup>3</sup> More information on the growing demand for, and benefits of, walkable urbanism is presented in “Foot Traffic Ahead: 2019,” a publication authored by Smart Growth American and the George Washington University School of Business. The report can be viewed at: [smartgrowthamerica.org/resources/foot-traffic-ahead-2019](http://smartgrowthamerica.org/resources/foot-traffic-ahead-2019).

<sup>4</sup> The potential fiscal benefits of compact, mixed-use development are discussed in Smart Growth America’s “Building Better Budgets: A National Examination of the Fiscal Benefits of Smart Growth Development.” The report can be viewed at: [smartgrowthamerica.org/resources/building-better-budgets-a-national-examination-of-the-fiscal-benefits-of-smart-growth-development](http://smartgrowthamerica.org/resources/building-better-budgets-a-national-examination-of-the-fiscal-benefits-of-smart-growth-development).

<sup>5</sup> This statement was made by Will Fleissig, a partner with Continuum Partners, the developer of Lockwood, Colorado’s downtown, and included in “After the Mall,” an article published by *Governing* on November 24, 2010. [www.governing.com/archive/after-mall.html](http://www.governing.com/archive/after-mall.html).





# WHAT'S IN STORE

EXPLORING THE  
FUTURE OF  
SHOPPING MALLS IN  
GREATER PHILADELPHIA

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<b>Key Words</b>	COVID-19, e-Commerce, Redevelopment, Retail, Shopping Centers, Shopping Malls, Town Center
<b>Abstract</b>	<p>Increased online competition, evolving consumer preferences, and, more recently, the COVID-19 pandemic have contributed to the decline of shopping malls. Although many of these properties may no longer support a traditional mall, they are often strong candidates for redevelopment. This report summarizes research designed to help communities throughout Greater Philadelphia better understand the challenges and opportunities created by struggling or vacant mall properties. This document summarizes trends in shopping mall redevelopment and presents planning considerations that can help local governments revitalize mall properties as greater community assets.</p>
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