

Hine School Redevelopment Project Retail Plan

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June 3, 2013

This document seeks to summarize the objectives, strategies and parameters of the retail plan and the status of the Developer's many meetings and discussions with stakeholders.

This Retail Plan outlines the retail requirements in the LDDA followed by a description of the retail space in the proposed project, the developer's goals, merchandising strategy, and follow up steps.

Land Disposition and Development Agreement (LDDA) Requirements:

The LDDA executed between the Developer and the District of Columbia requires that:

1. At least 20% of the retail square footage in the Hine project be reserved for "non-national tenants" (defined as retail tenants with fewer than six (6) locations operating under the same name and ownership and the owner's principal place of business is within the Washington, D.C. metropolitan area) at market rates and,
2. A minimum of 1,000 square feet of the Project retail square footage for unique small retailers that are located only at the Project at rents that are equal to or less than 75% of market rents.

Zoning/PUD Requirements:

The Developer is proposing to build approximately 39,387 square feet of retail space at ground level and an additional approximately 22,127 square feet below ground for a total of approximately 61,515 square feet. The retail space will front every street in the project except for 8th Street and part of C Street. At least 20% will be leased to non-national tenants, 1,000 square feet of which will be leased to unique tenants at below-market rates.

In addition to the "brick and mortar" retail space in the PUD, C Street and the Plaza will host weekend markets for approximately 68 retail tent vendors. The Developer has agreed with ANC 6b to

1. Not place any retail entrances on 8th Street
2. Place only low-impact retail, commercial, professional, or child-care entrances into the building on D Street.

3. Place below grade entrances for the South Building on Pennsylvania Avenue
4. Restrict restaurant entrances and outdoor seating operated by restaurants in the North building to an area west of the line in Exhibit E of the MOA between ANC 6b and the Developer.
5. Prohibit tenants from applying for nightclub licenses as nightclubs as they are defined in the ABC statute in the DC Code, and for the Developer to participate in liquor license application negotiations between its commercial tenants and ANC 6b.

Goals

The Developer wants to integrate the new retail space at Hine into the existing Capitol Hill retail framework of a mixture of small and medium specialized retailers that provide goods and services to local residents and employees during the week and to a broader community that supports Eastern Market, during the weekends. In order to create an interesting streetscape it is essential to design good retail storefronts that allow for individual retailers to express themselves to the public, and a sufficient number of individual retail spaces to draw shoppers to the area for multiple reasons, and to provide the opportunity for people to accomplish multiple shopping tasks in each trip. This will help pedestrians see the visual connection between the Eastern Market and Barracks Row shopping sub-districts, and encourage them to cross-shop these two areas.

Finally, the Developer will focus on ensuring that a mixture of retail types sizes, and products help sustain occupancy through both high and low economic cycles. The ideal retail size is 2,500 - 5,000 square feet on average, with some spaces as small as 500 square feet and the possibility of a single larger sized below-grade space.

Merchandising and Leasing

Strategy Much of the appeal of the Eastern Market is that it is a food destination. The Developer believe that the Hine Project can and should include additional food-related retailers including fine dining, and family fast casual cafes that would provide affordable places to grab a quick, high quality meal without a lot of cost; family and pet friendly outdoor seating cafes by local chefs and restaurateurs-keeping in mind which regional cuisine is already offered along 7th Street and attempting to avoid duplicating uses or menus.

Specialty culinary food purveyors such as a Wine and cheese shop, spice shops, chocolates, specialty teas and coffees, and New York deli type retailers would compliment the restaurants, market, and retailers across 7th Street. The ideal size for the type of restaurants envisioned is less than 4,000 square feet while the ideal size for food related purveyor's ranges from 400 to 1,500 square feet. Additionally,

the community has asked the Developer to reach out to small supermarkets offering products that are complimentary to, rather than competitive with Eastern Market. The Developer has, and will continue to, reach out to such businesses to gauge interest and ensure that the development can physically accommodate their needs.

The community has also asked the Developer to consider leasing to retailers serving the needs of families with children. The Developer sees this as a sector that has strong demographic support on Capitol Hill and is reaching out to children's clothing retailers, sporting goods, and child-oriented service providers that can compliment the existing classic children's book store, bicycle shops, daycare centers, and schools on the Hill.

Several other traditional retail categories are under-represented on the Hill including women's boutique fashion shops (local and regional) selling recognizable labels as well as footwear and handbag accessories. There is also room for a select number of national retailers who would fill the needs of the female worker demographic without having much of an impact on the local mom/ pop fashion shops already present.

The Developer also believes that a good traditional and casual men's ready to wear shop, athletic apparel and footwear, cosmetics, jewelry and accessories/ gifts, a paper product shop for invitations and such could do well in this location. Home furnishings and tabletop accessories are also a category that can be supported by the Hill community.

Finally, the Developer would consider filling a small number of spaces with basic community services such as an ATM, dry cleaner, or mobile shop depending on local needs at the time that the project delivers in late 2015.

Market Driven Plan Update

Retail leasing takes place in a constantly -evolving market place where the hot retail concept of today is out of fashion within two years. The Developer notes that except for the possibility of creating build to suit spaces for large national credit tenants, there will be no leases likely to be signed for the Hine project until mid-2014 or later. This is especially true for the smaller local tenant types that the community desires. Much of the eventual leasing will be done in the context of what exists and what is missing (and demanded) on the Hill in 2015 and beyond. To some extent this will be influenced by retail leasing at the Yards, on H Street, and even at City Center. The Developer will continue to test the leasing market for the Hine site and keep this plan updated as it proceeds with the development (see attached study).