Lesson #1: Plan your project's first phase as if you won't do another phase again

ROBERT J. HOLMES

It's well known that the first phase of a mixed-use project sets the theme, tone and quality level for the whole development. But what if the first phase was all that ever got built? Changes in the financing, regultory, or supply/demand environment can and do change dramatically, and project planners need to think about the first phase as a 'stand-alone' development in and of itself. Essentially, the core planning principles must all be applied to this first phase – it must work out financially without needing cash flows from later phases, and it should have the right elements to establish 'critical mass' from the outset. We'll look at three case studies that illustrate this lesson in greater detail.

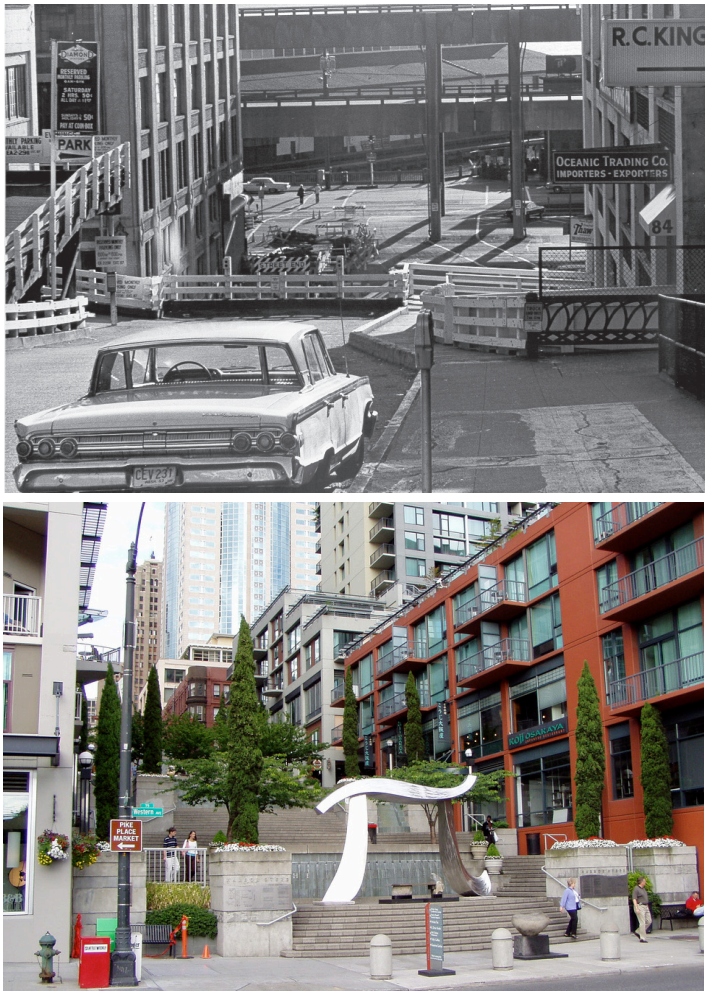
Build to Stand Alone

Harbor Steps was first envisioned as a 4-Tower mixed-use residential community in downtown Seattle. The centerpiece was a private park, loosely modeled after the Spanish Steps in Rome. At the time of the project's planning, the neighborhood was rundown with little residential. Financing was difficult, if not impossible, to find. Because of the difficulty of financing, the untested nature of this neighborhood for housing and the sheer size of the project, a decision was made to phase it over time.

The first phase, then perceived as the most risky, had to be designed and built in a way that it would 'stand alone' and work even if there were never any additional phases. This meant that the project's first phase would have to include concierge services, an athletic facility, sufficient parking, and retail services to work on its own (or in the case of the retail work with the existing retail already in place in the neighborhood) – and not rely on these amenities being delivered in future phases. Critically, the decision was made to construct Harbor Steps Park in this first phase, so as to link the project with the downtown and to help provide the 'sizzle' and the community excitement that this park and connection had finally arrived.

The construction of Harbor Steps Park in the first phase, and the need to include all of the amenities, was a burden on the budget and a challenge to finance. However, these elements provided the platform for success of this and subsequent phases. The remaining phases were brought on quickly given the rental success.

The construction of Harbor Steps Park in the first phase, and the need to include all of the amenities, was a burden on the budget and a challenge to finance. However, these elements provided the platform for success of this and subsequent phases. The remaining phases were brought on quickly given the rental success achieved in phase one and the resulting confidence of the developer and lenders.



Before and after development of Harbor Steps

Establish Critical Mass

Tremblant, a year-round resort in the Laurentian mountain range of Quebec, underwent significant redevelopment when Intrawest purchased the property. Besides building new ski lifts and amenities, the plan was to develop a car-free pedestrian resort village at the foot of the mountain.

Planned as a multi-phase development, the challenge of this project was in creating enough retail and commercial 'critical mass' in the first phase to attract and entertain visitors. Tourists did not care so much what was coming in the future – what mattered was what was there in that

Mont Tremblant

Whistler Winter Village

first phase when they first experienced the pedestrian village. The first phase, the 'Saint Bernard' building, was designed to create a complete, cohesive entertainment experience. The design focused on a U-shaped courtyard that opened out towards the mountain on one side and was ringed with retail and dining options. There was enough variety in the offerings in this pedestrian village-square layout that the sense of a complete destination was achieved, with the ambiance and animation that draws people in. Offerings included three restaurants, a lively bar, a deli/bakery, a specialty coffee shop, a chocolate shop, a large ski retail and rental shop, a mid-range resort clothing store, a photography store, and a real estate office.

This first phase essentially created a 'village within a village,' and was a successful catalyst for the development of the next phase (which occurred over the following two years) as well as later phases. The resort village brought recognition to Tremblant, which has consistently been named as a top ski resort in Eastern North America.

Contiguity is Key

In many cases, multiple building projects are not always contiguous, with the expectation that the infill will automatically happen later. However, unanticipated delays may cause that infill not to come on-line for a number of years (or ever). Successful first phases often have contiguous buildings and amenities to avoid this uncertainty.

The development of Whistler Village in British Columbia serves as an example of this. The first phase was composed of a number of commercial buildings, with residential on top. The decision was made to make the buildings (and convenience parking) in this first phase contiguous, and also to have specific mandates regarding types of commercial tenants and architectural guidelines. Besides having a 'critical mass' of services, this first phase established a cohesive look and feel.

This contiguity in the buildings, both from a physical and aesthetic standpoint, ended up being a critical part of the development's success. A confluence of unforeseen factors, including a change in tax breaks and a major slowdown in construction, meant that no other buildings were built at Whistler Village for four to five years after the establishment of this first phase. Had the buildings in the first phase not been contiguous, or if they did not have sufficient services, this could have been disastrous for the project.

Establish Core Elements at the Outset

All of these examples show the importance of developing a project's core elements in the initial phase. At Harbor Steps, the park was a catalyzing and defining part of the development. Tremblant's and Whistler's look and feel were established in the project's first phase. Whistler Village's first phase included core service elements, such as a grocery store and pharmacy, which brought local residents to the project and helped sustain the viability of the commercial tenants in the development's first years.

Some core elements do not directly make the developer any money, and in fact may be money-losers. Commercial uses such as community stores or amenities such as trails and parks help contribute to the overall development of a community but may essentially be 'loss leaders.' This can work, as long as the phase taken as whole is profitable.

Robert Holmes and Hugh Smythe collaborated on this article.