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RETAIL

MEYERLAND PLAZA

HOUSTON, TEXAS

The center's exterior was completely redesigned to provide attractive new storefronts for a variety of new big-box retailers.

PROJECT TYPE

The redevelopment of an obsolete regional mall into an 887,000-square-foot power center with three major components: a two-level, former mall building with exterior entrances for all tenants, including seven anchor tenants; a separate strip center with three anchor tenants; and numerous outparcel buildings, including a cinema complex, an anchor store, and ten other pad buildings. The project involved the complete remerchandising of a failed center acquired from the Resolution Trust Corporation.

SPECIAL FEATURES

- Power center
- Value retail
- Renovation and expansion
- Redevelopment

DEVELOPER

Wulfe & Co.
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ARCHITECTS

Hermes & Reed Architects
7915 Westglen Drive
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Ray Bailey Architects, Inc.
4100 South Shepherd, Suite 100
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CONTRACTOR

Sun Builders Co.
Houston, Texas

MANAGEMENT

Wulfe Management Services
Houston, Texas

GENERAL DESCRIPTION

It took innovative financing, creative site design and leasing, and the dogged perseverance of the developer to transform Meyerland Plaza from a dowdy relic of retailing's past—a failed, open-air regional mall—into a 910,000 square-foot, 13-anchor power center. The redevelopment of Meyerland Plaza was much more than skin deep. Most of the center's south side was torn down, the unused open air center courtyard was closed, and new buildings were constructed. In effect, the center was turned inside out, and an additional 250,000 net square feet was added to the original 660,000 square-foot center.

The conversion of Meyerland Plaza has succeeded in turning the property around in a short period of time. Currently, in its rebirth, it is already 92 percent leased and once again the focal point of the community.

THE SITE AND DEVELOPMENT PROCESS

Situated on a 59-acre site fronting on West Loop of Interstate 610 in fully developed southwest Houston, Meyerland Plaza is three miles from Houston's Galleria area and the Texas Medical Center. The Meyerland site is bordered on the north by a refurbished neighborhood community center, on the south and west by existing residential development, and on the east by the West Loop 610 freeway.

Meyerland Plaza began as a small regional shopping center in the late 1950s and operated as an important community institution throughout the 1960s and 1970s. Although Meyerland Plaza originally consisted of a single development on one land parcel, the property was divided into several tracts after a speculator/promoter acquired it from the original owner in 1984. When the speculator filed for bankruptcy in 1987, the center wound up in the hands of Continental Savings and Loan and Lamar Savings, two institutions that later failed.

As a result of these troubles, the Meyerland complex was substantially vacant and minimally maintained for seven years. The deteriorating shopping center ultimately was placed under the jurisdiction of the Resolution Trust Corporation (RTC). Moreover, the title to the center was entangled in a web of liens and claims, and several longtime tenants had control over if and how the center could be redeveloped.

A number of developers had tried and failed to unlock the redevelopment secret at Meyerland before Wulfe & Co.—a Houston-based brokerage, development, and property management firm—acquired the property. Wulfe & Co. previously had served for 18 months as a consultant on this project for two of the failed thrift institutions, and it submitted the winning bid when the main parcel was offered for sale by the RTC in May 1991. Following several years of complex negotiations, including the resolution of a myriad of legal entanglements, Wulfe & Co. finally purchased the site and started planning the redevelopment of the center in the summer of 1993.

Because of the tight time frame for opening several of the anchor stores, the developer sought—successfully—to convince the city of Houston to become part of the redevelopment team and to make Meyerland Plaza a pilot project for one-stop permitting. The city designated an ombudsman to work with the developer to expedite the processing of all permits and necessary approvals.

The overall development time frame was shortened and money saved when the developer's project architect, Hermes & Reed, brought in Ray Bailey Architects, Inc., as part of the project team. Bailey previously had worked with one of the failed financial institutions that had been unsuccessful in turning the center around. Consequently, the firm had a great deal of basic information on the project, which proved to be helpful in the overall redesign.

PLANNING AND DESIGN

For years, many merchants in the center had faced on the center's interior courtyard rather than outward toward the community. The redevelopment reversed that scheme, turning all the entrances outward. To accomplish this, the exterior facade was largely redesigned. Green slate that originally surrounded the roof of the old center was cut up and incorporated as the base trim of the new plaza's exterior, which is primarily a stucco-type finish. The classic, federal style architecture lends an air of permanence to the center and serves to create an inviting shopping atmosphere.

The new center presents several different facades and tenant groupings. The north side of the original main building was designed to be more upscale and contains more fashion and soft goods merchandise, including Palais Royal, Bed Bath and Beyond, Limited Express, Bath & Body Works, and Lane Bryant units. Borders Books/Planet Music also is located on the north side.

The south and east sides of the main building have more of a discount feel. The redeveloped Venture discount store, along with some smaller tenants such as a General Nutrition Center, are located on the south side of the building. New service entrances and loading docks were placed on either side of the Venture store to accommodate deliveries. Marshalls and Service Merchandise, located on the east side of the center, complement the Venture store with off-price and discount merchandise.

A separate strip center building was constructed on the south side of the property to accommodate three of the major new anchor tenants—Stein Mart, OfficeMax, and Lil' Things—and several small tenants, including Cafe Express, Total Vision, and an Old Navy Clothing store. In addition, the three-screen General Cinema was torn down and replaced with a freestanding eight-screen General Cinema on the southwestern edge of the property.

The developer was unable to convince all of the existing anchors to make improvements. Palais Royal, a local upscale specialty store chain, elected to refurbish the interior of its store entirely, in return for the developer providing a new storefront to blend with the rest of the center. JC Penney, on the other hand, refused to do anything with its existing store.

The original center included substantial second-level space, much of which is used for storage; however, some tenants have converted their second-level space to retail. Planet Music, for example, now operates on the second level of the Borders Books store. JC Penney continues to operate a two-level store as in the past.

The 12 anchor tenants occupy over 695,000 square feet in the redeveloped center. A thirteenth anchor space (a 25,500 square-foot freestanding building) is the only large space remaining to be leased. Small shop space in both the redeveloped and new buildings amounts to 76,732 square feet, or 8.7 percent of total GLA.

The center is highly visible from the West Loop 610 freeway, and the Beechnut Street exit provides immediate access to the center. Four entrances provide local access to the center from each of the surrounding roads.

New low monument signs help motorists locate anchor tenants. Roof signage for OfficeMax, Stein Mart, and Lil' Things was designed to be visible from the surrounding streets as well, since these buildings have only parking lot frontage.

MARKETING AND FINANCE

The market for Meyerland Plaza includes approximately 382,000 people (170,800 households) within a five-mile radius of the center, with an estimated average household income of $57,425. By 1999, this population is expected to grow to slightly over 422,000.

Wulfe & Co. sent a questionnaire to 4,000 households in the Meyerland areas. Responses indicated that residents were looking to Meyerland to once again serve the retailing needs of the surrounding population, needs that they would otherwise have to leave the area to find. These busy, urban consumers were looking for convenience, easy access, security, store identity, and an extensive selection of merchandise at value prices. The developer believed that Meyerland could serve these needs if properly redeveloped.

As both a broker and a developer, Wulfe & Co.'s well-established relationships with retailers proved invaluable in leasing. Since it had represented big-box tenants in other development deals, Wulfe was able to understand the needs and mentality of the big-box retailers. Several of the existing tenants that elected to remain in the center—including JC Penney, Palais Royal, General Cinema, and Compass Bank—provided an initial critical mass that was used to attract new tenants. The first three major new tenants to commit to the center were Marshalls, Service Merchandise, and Venture.

As the developer neared completion in assembling the previously fragmented site, an endowment fund from Harvard University was brought in to serve as a financial partner for the redevelopment effort and provided the major equity interest in the deal. The actual owner of the project is Meyerland Plaza Venture, a joint venture between Anchises Venture Corporation and Wulfe/Meyerland Plaza, Ltd. NationsBank and Fleet Bank provided the construction financing.

EXPERIENCE GAINED

- The conversion of poorly performing, small regional shopping centers into power center formats is a viable redevelopment strategy that can yield positive results in the current retailing environment.
- Working with big-box power center tenants can be quite different than working with smaller strip center or mall tenants; these big-box retailers often approve lease deals more quickly than smaller tenants, but they frequently have stringent lease requirements that the developer must accommodate.
- Retail has to be strong at nighttime as well as during the day, since shoppers these days are more likely to be shopping in the evening. One of the first things Wulfe & Co. did was to increase the lighting of the parking lot and add landscaping to deter crime and attract nighttime shoppers.

PROJECT DATA

LAND USE INFORMATION

Site Area: 59 acres
Gross Building Area (GBA): 919,000 square feet
Gross Leasable Area (GLA): 887,000 square feet
Floor/Area Ratio: 0.36
Number of Levels: 2
Number of Parking Spaces: 4,080

LAND USE PLAN

	Acres	*Percent of Site*
Buildings	15.0	25.4
Paved area (surface parking/roads)	41.7	70.7
Landscaped areas	1.3	2.2
Other	1.0	1.7
Total	59.0	100.0

TENANT INFORMATION

Classification	*Number of Stores*	*Percent of Total*	*Total GLA*	*Percent of GLA (Square Feet)*
General Merchandise	2	8.0	309,440	34.9
Food	4	16.0	15,664	1.8
Clothing and Accessories	5	20.0	137,820	15.5
Shoes	1	4.0	1,618	0.2
Home Furnishings	2	8.0	60,614	6.8
Home Appliance/Music	1	4.0	27,524	3.1
Hobby/Special Interest	2	8.0	27,000	3.0
Gifts/Specialty	2	8.0	78,498	8.8
Financial	2	8.0	18,020	2.0
Recreation/Community	1	4.0	32,246	3.6
Other Retail	3	12.0	28,211	3.2
Vacant	-	-	150,345	16.9
Total	25	100.0	887,000	100.0

Annual Rents: \$10 to \$11.50 per square foot (major tenants); \$18 to \$35 per square foot (smaller tenants).
Average Length of Lease: 15 years

MAJOR TENANTS (over 25,000 square feet)

	Square Feet
JC Penney	201,872
Venture	107,602
Palais Royal	66,730
Bed Bath and Beyond	60,267
Service Merchandise	53,853
Stein Mart	33,733
General Cinema	32,246
Marshalls	29,900
Lil' Things	29,844
Planet Music	27,524
Borders Books	26,904
OfficeMax	25,324
Major "J"	25,500
Total major tenants	721,299

DEVELOPMENT COST INFORMATION

Site Acquisition Cost:	$20,000,000
Site Improvement Costs:	7,000,000
Construction Cost:	27,000,000
Soft Costs:	11,000,000
Total Development Cost:	$65,000,000

Total Development Cost per Gross Square Foot: $70.72

ANNUAL OPERATING EXPENSES (1995 Budget)

Taxes	$445,000
Insurance	189,000
Services	305,000
Maintenance	66,000
Utilities	225,000
On-Site Payroll	200,000
Management	125,000
Miscellaneous	45,000
Total	$1,600,000

DEVELOPMENT SCHEDULE

Original Construction: 1957
Acquired by RTC: Late 1980s
Offered for Sale by RTC: May 1991
Acquired by Wulfe: Summer 1993
Construction Started: Spring 1994
Project Opened: Spring 1995

DIRECTIONS

From Houston Hobby Airport: Proceed north on Broadway to Interstate 45 (I-45) north. From I-45, take the Southwest Freeway (Route 59) west to West Loop 610. Go south on West Loop 10 to the Beechnut Street exit. The project is on the southwest corner of the intersection of Beechnut and the Loop 610 service road.

Driving Time: Approximately 25 minutes in non-peak-hour traffic.

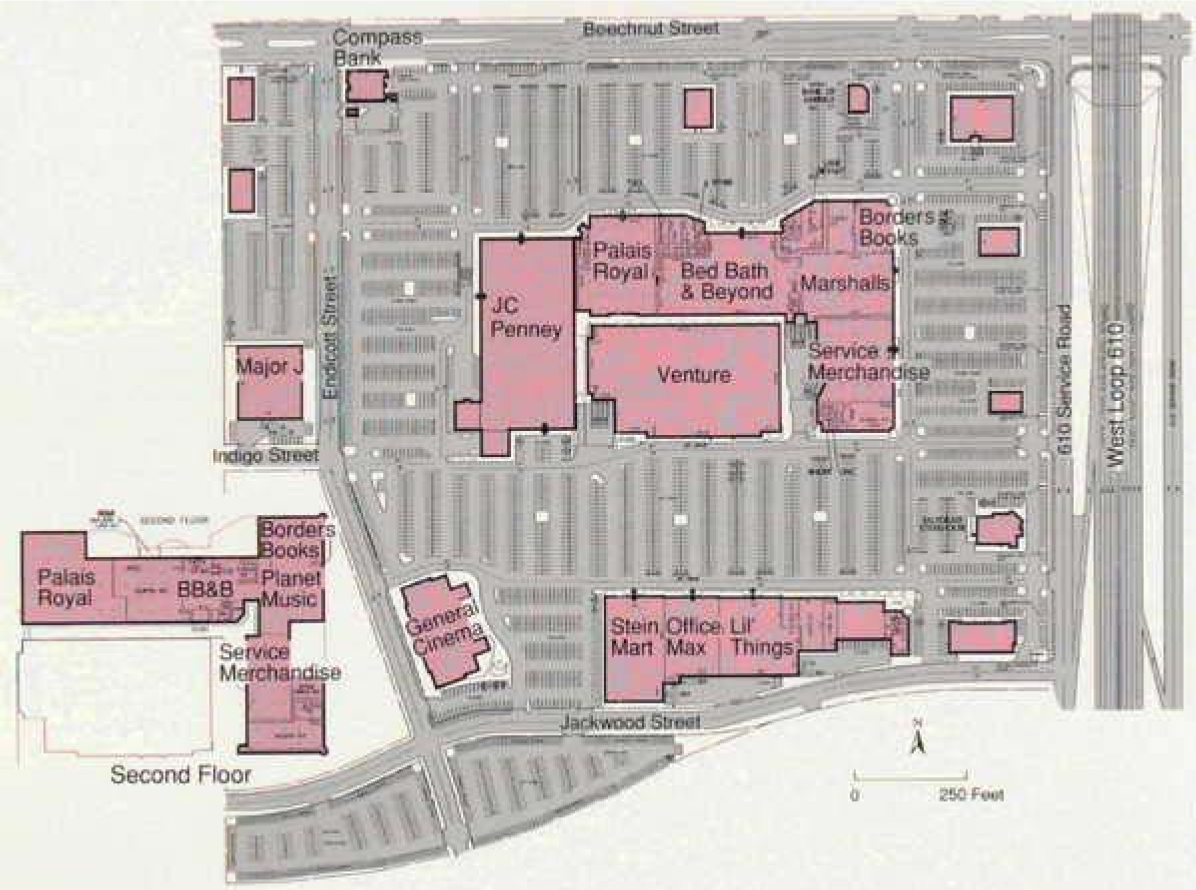
The center's exterior was completely redesigned to provide attractive new storefronts for a variety of new big-box retailers.

A new and separate strip center building was constructed on the south side of the property. Creative signage was used to make the stores visible from the freeway.

Exterior entrances are prominent, inviting, and highly styled.

The entrance to Service Merchandise.

Although the center has a unified design theme, tenant storefronts exhibit considerable variety as well.


Beechnut Street
Compass Bank
Endicott Street
Indigo Street
Major J
JC Penney
Palais Royal
Bed Bath & Beyond
Marshalls
Borders Books
Venture
Service Merchandise
610 Service Road
West Loop 610
General Cinema
Stein Mart
Office Max
Lil' Things
Jackwood Street
Palais Royal
BB&B
Borders Books
Planet Music
Service Merchandise
Second Floor
N
0
250 Feet
Site Plan