

Dadeland Station

Miami, Florida

Project Type:
Commercial/Industrial

Case No:
C028012

Year:
1998



SUMMARY

A 350,000-square-foot, three-level shopping center located on an urban infill site next to the Dadeland North Metrorail Station in Miami, Florida. Developed as a joint venture of the Berkowitz Development Group, the Metro-Dade Transit Authority, and the Green Companies, Dadeland Station occupies 7.25 acres and is built on the site of a former surface parking lot that had served the metrorail station. The center contains five big-box retailers, which occupy 97 percent of the space. The remaining space, 9,500 square feet, is occupied by small shops and restaurants located adjacent to the pedestrian link between the station and the shopping center. Two levels of parking are provided for each retail level, satisfying the large tenants' need for ample parking.

FEATURES

- Public/private partnership
 - Computerized tracking system to direct incoming cars to a specific retail location
 - Use of air rights for construction over highway
 - Transit-oriented development that also accommodates vehicular traffic
 - Elaborate security system for parking garage
 - Separate utility metering for tenants
 - Oversized, glass-enclosed elevators to accommodate multiple shoppers with carts
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SPECIAL FEATURES

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DEVELOPER

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LEASING

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GENERAL DESCRIPTION

Dadeland Station, in Miami, Florida, is an effective marriage of two concepts previously thought to be inconsistent: value-oriented retail and urban infill development. Five big-box retailers have been stacked vertically in a three-story structure that is connected to a six-level parking facility for 1,470 cars. A six-story canopied galleria provides direct access from the three shopping levels to the six-level garage.

The shopping center incorporates a pedestrian link to the Metrorail, a 21-mile, electrically powered, elevated, rapid-transit rail system that extends from the Dadeland area to Hialeah, built at a cost of \$1.03 billion. Ridership totaled 13,701,606 in 1992; average weekday ridership at the Dadeland North station has approached 5,000.

THE SITE

Dadeland Station is located next to the Dadeland North Metrorail station on a 7.25-acre triangular parcel, formerly the site of a surplus county-owned parking lot. The site had been designated as a "metropolitan diversified activity center" in the Dade County comprehensive master development plan. The property is located within the Dadeland subzone in a rapid transit zone, which permitted a wide variety of mixed uses including retail, residential, hotel, and office.

The site is bordered on the south by the Metrorail station, a three-acre land parcel used for surface parking, the Snapper Creek Canal, and a 2,000-car county parking garage; on the north by the Snapper Creek Expressway (SR 878); and on the east by U.S. Route 1. To the west the site is bordered by SW 70th Avenue and Dadeland Mall, one of the area's premier super regional shopping centers, with 1.5 million square feet of space. Its owner, the Equitable Life Assurance Society of the United States, is planning to expand the mall's footprint eastward, with an additional 800,000 square feet of retail space and 4,000 new parking spaces.

U.S. Route 1, a six-lane, divided highway with average daily traffic of 91,500 cars, offers convenient access to south Dade County as well as to Interstate 95 (I-95) to the north. The Snapper Creek Expressway handles approximately 30,000 daily trips. The Palmetto Expressway (SR 826) runs on the west side of Dadeland Mall. It also links I-95 and north Dade County and ends at U.S. 1 just south of the Dadeland station site. Substantial changes are planned to the Palmetto Expressway due to the Dadeland Mall expansion. A new roadway design will allow for a direct route from the Palmetto Expressway not only to Dadeland Mall directly but also to the Dadeland North Metrorail station and the Dadeland Station shopping center.

THE DEVELOPMENT PROCESS

The Green Companies were the successful bidder to a request for proposals issued in the 1980s by Dade County seeking developers for the 12-acre property. Green negotiated unsuccessfully for many years to acquire a ground lease with the county. In 1995, after the county had initiated efforts to terminate its negotiations with the Green Companies, Berkowitz Development Group acquired the development rights to the retail portion of the development and successfully negotiated a 90-year unsubordinated ground lease with the county. A special county requirement mandated that 25 percent of design contracts, 20 percent of construction contracts, and 50 percent of the smaller shopping center spaces be reserved for minority or woman-owned business enterprises.

The shopping center, a joint development of Berkowitz Development Group and the Metro-Dade Transit Authority, is only one of the components to be built on the 12-acre site. The entire site had been used as the primary surface parking lot serving the Metrorail station; the surface lot subsequently was replaced by a 2,000-car parking structure, developed by Dade County with state and federal funding, adjacent to the station itself. With the shopping center occupying a little over seven acres, the Green Companies retained the development rights for the office and hotel portions of the project on the remaining three acres, which must be completed within a period of ten to 15 years.

The ground lease with Berkowitz Development was approved in June 1994, development approvals obtained by April 1995, and construction started in September 1995. The shopping center officially opened in October 1996, having been 100 percent preleased.

Dade County provided significant support throughout the lease negotiation, planning, and permitting phases of the project. During construction, the county was instrumental in assisting the developer in securing a major new signalized intersection, opening access to the site from U.S. Route 1 (South Dixie Highway) under the existing elevated Metrorail tracks. In addition, the county paid 20 percent of the development costs for such items as project signage and the intersection at U.S. 1.

The project generated more than \$1,000,000 in impact and permit fees during the construction phase and is estimated to produce in excess of \$100,000,000 over the 90-year lease term. The project has generated approximately 600 permanent jobs and better than \$5 million in net operating income for the owners.

A construction loan of \$35,000,000 with Sun Trust Bank of Alabama, N.A., has been replaced by a 20-year permanent loan with New York Life Insurance Company. The construction lender wanted a permanent takeout lender in place before any construction began.

PLANNING AND DESIGN

While Dadeland Station permitted the big-box anchors to enter the Dadeland market, the developer still had to convince them that the vertical concept would satisfy their respective operational requirements, most which revolved around having adequate parking close to their store's front door. The project was designed to be friendly both to those arriving by car and to those using the transit system.

Best Buy and Michaels are located on the first retail level, Target on the second, and the Sports Authority and Bed Bath & Beyond on the third level. Best Buy had to be located on the first level because of its car radio installation facility; Target could not fit on the first level with its typical footprint of 100,000 square feet unless SW 70th Avenue were closed permanently. In the end, the project incorporated the use of air rights, with 60,000 square feet of retail constructed over four-lane SW 70th Avenue. The five anchor tenants occupy 97 percent of the center's gross leasable area (GLA). The floor-to-area ratio is 1.1, significantly above the 0.25 ratio typical of strip shopping centers.

With 23-foot ceilings for each of the retail levels, the developer could provide two parking levels with 10-foot ceilings for each. The project includes an additional 9,500 square feet of small shops and restaurants to serve Metrorail commuters; they are located adjacent to the pedestrian link between the station and the shopping center.

To accommodate shoppers arriving by car, the parking garage design allows customers to drive directly to the retail level of their choice by incorporating two 80-foot diameter ingress and egress helixes to transport cars vertically to an open, rampless parking level. A computerized tracking system directs incoming automobiles to their specific retail destination. Parking for Dadeland Station is provided at a ratio of 4.6 parking spaces per 1,000 square feet of GLA.

Shopping carts were accommodated by building two banks of oversized, glass enclosed traction elevators that allow up to nine shoppers at one time to enter with carts from the retail side and to exit at any one of the six parking levels.

Garage security concerns were addressed by painting the interior of the garage white; by providing lighting levels far in excess of the minimum requirements (six footcandles versus one-half footcandle); by installing an elaborate panic intercom system and 24-hour color camera surveillance of the entire parking garage; and by making security personnel and equipment visible to shopping center patrons.

A secure loading facility is provided on the north side of the site for each of the anchor tenants, with the exception of Michaels, whose loading dock is to the west. Individual elevators or conveyors transport goods securely to the upper level tenants. Each of the tenants is separately metered for heating and cooling. Vertical and horizontal easements allow the ductwork to be located within the building. Target built out its own space.

Dadeland Station soon will feature a six-story sculpture entitled "Welcome" by international artist Romero Britto. It will be located between the shopping center and the train station.

LEASING AND MARKETING

Leasing commenced in May 1994 and essentially was complete before construction started in September 1995. Unlike the other big-box anchor tenants, which opened when the project opened in October 1996, the Michaels store did not open until 1997.

In 1993, there were 217,000 households within a seven-mile radius of Dadeland Station, which is considered to be the trade area, and that number is projected to increase to 246,000 households in 1998. Average annual household income for 1993 has been estimated at \$51,000. Within a three-mile radius, average household income is more than \$70,000. The population is well educated—50 percent have had some college education or have graduated from college, and 67 percent of the working population have white-collar occupations. The average age is 37.

All the major tenants have reported strong sales exceeding their sales projections. The Dadeland Sports Authority store is presently the number-two store in the south Florida area and ranked ninth of all the chain's stores in sales per square foot. Likewise, the Target store ranks second in sales within its district, following the number-one store at Sawgrass Mills.

EXPERIENCE GAINED

- With all the retailers located close to one another, more cross-shopping occurs than in a traditional power center. Consequently, the parking lot is rarely full. Levels one, three, and five, which offer the most direct access to the individual stores, typically fill up first. The project allows shoppers direct access through a network consisting of escalators and pedestrian and cart elevators to all five anchor stores without having to get back in a car and drive across a large parking lot to another retailer. The garage/galleria/retail configuration allows shoppers to shop in a protected environment.
- At first glance, the structure of Dadeland Station can be a little imposing. In order to make this nontraditional center customer friendly, the developer spent a significant amount of money up front on security, extra signage, and two extrawide open helixes for ingress and egress. Target contributed money up front for the security system; all the tenants contributed to the upgraded signage.
- In the absence of many comparable projects, in Miami or elsewhere, the anchor retailers had to be convinced

that the vertical space configuration facing a parking garage would meet their needs. Despite their concerns, the project allowed them to enter the much-sought-after Dadeland market, where there were few, if any, large land parcels available for development as traditional strip centers.

PROJECT DATA**LAND USE INFORMATION**

Site area: 7.25 acres
 Gross building area (GBA): 350,000 (retail only)
 Gross leasable area (GLA): 315,298
 Floor/area ratio: 1.1
 Number of levels: Shopping, 3; Parking, 6
 Number of parking spaces: 1,470
 Parking ratio: 4.6 spaces per 1,000 square feet of GLA

LAND USE PLAN

Use	Acres	Percent of site
Buildings	2.06	28.5
Parking structures	2.18	30.0
Paved area (surface parking/roads)	1.21	16.6
Landscaped areas	1.80	24.9
Total	7.25	100.0

DEVELOPMENT COST INFORMATION

Site acquisition cost: \$750,000 (to acquire rights to ground lease)

Site improvement costs
 Excavation/grading: \$187,360
 Sewer/water/drainage: 817,330
 Paving/curbs/sidewalks: 746,029
 Landscaping/irrigation: 100,000
 Other: 1,226,830
 Total: \$3,077,549

Construction costs
 Superstructure: \$7,465,495
 HVAC: 500,000
 Electrical: 1,211,000
 Plumbing/sprinklers: 658,000
 Elevators: 1,450,000
 Fees/general conditions: 1,650,000
 Finishes: 1,751,000
 Graphics/specialties: 600,000
 Parking structure: 7,374,185
 Tenant improvements: 3,247,000
 Total: \$25,906,680

Soft costs
 Architecture/engineering: \$927,500
 Project management: 400,000
 Marketing: 625,000
 Legal/accounting: 250,000
 Taxes/insurance: 100,000
 Title fees/testing: 98,000
 Construction interest/fees: 3,500,000
 Public art: 225,000
 Permits/impact fees: 1,000,000
 Lender inspection: 250,000
 Miscellaneous: 600,000
 Total: \$7,975,500

Total development cost: \$37,709,729
 Total development cost per gross square foot of retail space: \$104.75

ANNUAL OPERATING EXPENSES (1997)

Taxes: \$669,094
 Insurance: \$465,028
 Services: \$337,609
 Maintenance: \$105,306
 Janitorial: \$156,473
 Utilities: \$173,624
 Legal: \$197,801
 Management: \$205,776
 Miscellaneous: \$218,439
 Total: \$2,529,150

RETAIL INFORMATION

Classification	Number of stores	Percent of total	Total GLA	Percent of GLA (square feet)
General merchandise	1	8.3	123,112	39.0

Food service	3	25.0	5,180	1.6
Home furnishings	1	8.3	60,000	19.0
Home appliance/music	1	8.3	58,000	18.4
Hobby/special interest	1	8.3	45,249	14.4
Gifts/specialty	1	8.3	19,478	6.2
Jewelry	1	8.3	831	0.3
Other retail	1	8.3	1,340	0.4
Personal services	1	8.3	970	0.3
Vacant	1	8.3	1,138	0.4
Total	12	100.0	315,298	100.0

Annual rents: \$14.21 to \$28 per square foot.
Average length of lease: 15 to 20 years.
Typical lease provisions: Net/net. Landlord pays for roof and structural maintenance and repair.

MAJOR TENANTS

Tenant	Square feet
Target	123,112
Bed, Bath & Beyond	60,000
Best Buy	58,000
The Sports Authority	45,249
Michaels	19,478

DEVELOPMENT SCHEDULE

Leasing started: May 1994
Ground lease approved: June 1994
Development approvals obtained: April 1995
Construction started: September 1995
Shopping center opened: October 1996

DIRECTIONS

From Miami International Airport: Exit airport to SR 836 West. Proceed approximately four miles. Take 826 south and proceed approximately seven miles to North Kendall Drive (past Dadeland Mall). Go to U.S. 1 (South Dixie Highway). Turn left at either the first or second signal at Dadeland Station Sign.

Driving time: 15 minutes

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This Development Case Study is intended as a resource for subscribers in improving the quality of future projects. Data contained herein were made available by the project's development team and constitute a report on, not an endorsement of, the project by ULI-the Urban Land Institute.

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Visible on the Miami skyline, Dadeland Station adapts the suburban power center concept to an infill location with a challenging density requirement.



Dadeland Station successfully compresses five big-box retailers with nearly 320,000 gross leasable square feet and nearly 1,500 parking spaces onto 7.25 acres. The development's density is four-and-a-half times higher than that of a traditional power center, using 80 percent less land.



The project incorporated the use of air rights over an existing four-lane roadway to accommodate retailers' floor plates; Target, with more than 120,000 square feet, was able to locate on the second retail level.



The covered galleria provides direct access from the three levels of the retail complex to the six-level garage and protects consumers from sun and rain.



Two extrawide helixes vertically transport cars to open, level parking fields.



Dadeland Station, with its vertical orientation, presented the anchor retailers with an opportunity to enter the Dadeland market, where land for a typical power center development is not available.



Through a network of escalators and pedestrian and cart elevators, consumers have convenient access to all five anchor stores, permitting more cross-shopping to occur than in traditional power centers.



Signage throughout the project helps direct both arriving vehicles and transit system users to their destinations.



Site plan.

