



## Phillips Place

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Charlotte, North Carolina

Project Type:  
Commercial/Industrial

Case No:  
C028020

Year:  
1998

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### SUMMARY

A suburban mixed-use development on 35 acres near Charlotte, North Carolina, featuring 130,000 square feet of retail space, 402 residential units, 124 hotel rooms, and a multiplex cinema. The project includes a pedestrian-scaled main street within a traditional low-density suburban area. The three-story buildings on the main street feature retail uses on the ground level and apartments on the second and third floors. The classically influenced architecture and the significant emphasis on high-quality streetscape design and lighting combine to create a pleasant and safe pedestrian experience.

### FEATURES

- Mixed-use development
  - Housing above street-level retail stores
  - Town center
  - Specialty retail stores
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### SPECIAL FEATURES

- Mixed-use development
- Housing above street-level retail stores
- Town center
- Specialty retail stores

### MASTER DEVELOPER/RETAIL DEVELOPER

The Harris Group  
Rotunda Suite 175  
4201 Congress Street  
Charlotte, North Carolina 28209  
704-556-1717

### APARTMENT DEVELOPER

Post Properties  
3350 Cumberland Circle  
Suite 2200  
Atlanta, Georgia 30339-3363  
404-846-5076, ext. 5076

### HOTEL DEVELOPER

The Harris Group  
The Panos Group  
Charlotte, North Carolina

### ARCHITECT

TBA2 Architects  
112 S. Tryon Street  
Suite 200  
Charlotte, North Carolina 28284  
704-333-6686

### SITE PLANNER

LandDesign  
P.O. Box 11938  
Charlotte, North Carolina 28220-1938  
704-333-0325

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## GENERAL DESCRIPTION

Phillips Place is a suburban mixed-use development that combines specialty retail, a multiplex cinema, apartments, and a hotel, all organized around a main street. The project is located on a 35-acre parcel in the SouthPark area of Charlotte, known for its high-quality office and retail development, well-established neighborhoods, and strong demographics.

The challenge was to develop a thriving, mixed-use town center for a traditional low-density suburban business district and residential neighborhood. The developer sought to achieve this goal by creating a main street with a 124-room hotel anchoring one end and a multiplex cinema anchoring the other, apartments built over retail stores on one side of the street, and several separate apartment buildings located behind the main street.

## THE SITE

The site is located 15 to 20 minutes from downtown Charlotte, the airport, and the Outer Loop, in the rapidly developing SouthPark area. SouthPark includes the Carolinas' second-largest business district and also has a residential base with one of the highest income levels in the Southeast. Half of the residents of SouthPark have annual household incomes of more than \$50,000, more than 40 percent attended college, a full quarter spend an average of \$100 or more per shopping trip, and nearly 25 percent are 25 to 35 years of age.

The site includes substantial frontage on Fairview Road, southeast Charlotte's major east/west thoroughfare, but it is not served by any other adjacent streets. Thus, all access to the project, including three separate entrances, is provided by Fairview Road, a site constraint that limited the ability of the developers and designers to connect the project to its surroundings. However, residents to the south did not want any significant connection, especially additional traffic flowing through their neighborhood on the way to and from Phillips Place. Commercial properties lie to the north and west, and residential properties to the south and east.

Other site features and constraints that affected the development and its design include high-tension power lines that are located at the front of the property along the arterial frontage; an electrical substation located adjacent to the property to the east; and a terrain that slopes from north to south as one moves into the property.

## DEVELOPMENT PROCESS

From the outset the developers pursued a mixed-use, town center development for the property. They felt that this was a desirable and highly marketable concept for SouthPark and for the specific site, which was in a prime location and of sufficient size to allow the concept to work.

The site originally was owned by the D.L. Phillips Trust, a family trust, and some of the family members live adjacent to the property to the south. Thus, while they had a strong economic interest in development of the land, they also were interested in a development that did not detract from the surrounding residential areas. As a result, they exercised considerable influence on the nature of the project and its impact on their neighborhood.

To develop a mixed-use project on the property required rezoning. In the South District Plan, the site was recommended for multifamily housing at a density of 22 units per acre. This would have allowed potentially 800 units, which would have generated significant traffic during peak hours. The developers sought to amend the plan to incorporate nonresidential uses, which they successfully argued would reduce peak traffic, avoid placement of residential housing adjacent to high-tension power lines, and provide retail stores not presently in the Charlotte market and public spaces that would be an amenity for the surrounding area, while still providing for the multifamily housing originally targeted by the plan.

To complicate the rezoning approval process, the county had no mixed-use zoning classification. Thus, the developer had to apply for an amendment to the CC-General Commercial zoning category to allow residential above retail uses, further lengthening the approval process even though city staff and elected officials were supportive of the project. The conditional rezoning plan required sensitivity to the surrounding land uses and residents, as it involved achieving residential densities higher than those previously approved for the area.

The master developer, the Harris Group, sought several partners to make the complicated concept work. While the company had extensive experience in retail and hotel development, it had not pursued a substantial residential project, nor was it a hotel operator. It therefore sought a partner to develop the apartments, finally settling on Post Properties, a major real estate investment trust that develops, owns, and operates apartments. It also sought a hotel partner and operator, settling on the Panos Hotel Group, a hotel operator. The group chose TBA2, a local firm with which it had worked extensively, as architect.

The developers used essentially one contractor to handle the retail, hotel, and cinema development, eliminating numerous coordination issues that could have arisen if more than one contractor built the project. The general contractor's attention to detail and to coordination of the utilities that service the project—and the contractor's insistence on staying a phase ahead on site work—allowed the project to be delivered on time. Construction began in November 1995, the first phase was completed in June 1997, and the entire project was completed in March 1998.

The retail and entertainment component, which includes 130,000 square feet of space configured as an open-air retail village along a main street, targets specialty retailers and upscale restaurants; the program currently includes 28 tenants, including four restaurants, six clothing stores, six gift/specialty stores, four home furnishings stores, and a ten-theater cinema that incorporates stadium seating and an attractive marquee that is visible from most points along the main street.

The residential portion of the project is made up of several components, all owned and developed by Post Properties. They include 32 apartments/townhouses that face the main street, located over the retail uses in three-story buildings, and 68 units that surround a garden area in three-story buildings just off the main street. The residential component also includes 302 apartments in 12 separate garden apartment buildings, with attached and detached garages. Apartment residents also have access to a clubhouse, a residential business center, a fitness center, a swimming pool, and two tennis courts. The apartments facing the courtyard near the main street are designed to include urban lofts with 14-foot ceilings and two-story townhome apartments.

The hotel is a 124-room Hampton Inn and Suites; it includes 86 rooms and 38 suites developed to higher standards than Hampton Inn's typical product. The hotel does not include a restaurant, but all of the numerous restaurants in Phillips Place are within easy walking distance, and the Palm Restaurant is adjacent to the hotel.

## PLANNING AND DESIGN

The developers and designers were challenged to create a pedestrian-scaled town center environment along a heavily traveled six-lane arterial. The solution involved internalizing the main street, which provided a slower, more controlled environment than the fast-moving, auto-oriented environment on surrounding thoroughfares. Contrary to standard suburban retail design, the storefronts along this internal street are not visible from the adjacent thoroughfare, although some of the larger stores have signage that is visible and some also have back entrances that face the thoroughfare. The development team considered the layout essential to the success of the pedestrian environment they were seeking. To mitigate the lack of visibility from the thoroughfare, tenants without Fairview Road signage are given prominent signage on two entrance features.

One of the premises on which the project is built is that the spaces between the buildings are just as important as the buildings themselves. Two landscaped courts terminate the east/west axis of the main street and showcase the two anchors, the hotel and the cinema. These two buildings establish the visual endpoints of the main street, and they serve as primary destinations and activity generators, enhancing pedestrian movement along the street. Several octagonal pavilion buildings help to shape the courts at both ends of the street, which include traffic circles surrounding lighted water fountains that feature four heraldic-style standing lion sculptures upholding the fountain bowl. Angled parking with landscape dividers also is provided along the street.

Emphasis was placed on the streetscape and lighting to ensure that the pedestrian experience, during the day or in the evening, would be pleasant and safe. Brick sidewalks and outdoor seating encourage people to relax and enjoy themselves. Decorative street signs can be found in all areas of the project. The general lighting level is less intense than that typically found in shopping centers, but it gives pedestrians a sense of safety and invites strolling. The glow of the subdued lighting also enhances the romantic nighttime mood of Phillips Place. Special attention was given to the lighting of the fountains, the theater marquee, and the hotel porte cochere in order to give them the necessary presence along the main street.

The project's architectural influences range from the commercial streetscapes of Charleston and Savannah to the public gardens and residential townhouses of Bath, England. Colorful awnings over streetside windows accent the beige, taupe, and peach exterior walls inspired by historic Charleston's "Rainbow Row." Building surfaces are made of synthetic stucco using an exterior insulation and finish system (EIFS). Variegated Mexican sandstone forms the exterior building bases, and classical columns are abundant. Gabled and mansard roofs are accented with twin domes at the center, further enhancing the European ambience.

All the stores front the main street, and they have numerous large windows. The retail buildings on the north side of the main street are two stories in height to balance with the three-story buildings to the south; however, zoning for the property does not allow for the second-level space to be developed as retail. As a result, with 24- to 26-foot ceiling heights, retailers on this side of the street have opportunities to make creative use of the space—as storage or as attractive high ceilings, for example—depending on the needs of the retailer. Retail buildings on the south side of the street have more conventional ceiling heights, as these spaces include second- and third-level residential apartments, some of which have balconies. The mixed-use buildings use post-tension concrete slabs on the roof of the retail stores and wood-frame construction for the residential units above.

The developers put considerable emphasis on continuity of design along the main street. All of the buildings and facades along the street—including the retail and residential spaces, hotel, and cinema—were designed by the same architect, TBA2 Architects, and they draw from the same palette of colors and architectural themes.

The project includes three two-level parking structures, two of which are divided between retail and residential uses, with the retail component using the upper level and the apartments using the lower; there is no shared parking on the property. The sloping site benefited the parking structure design. Because of the slope, the top retail parking level is at grade with the main street and is not an obtrusive visual element when viewed from the main street. The lower

residential parking level can be accessed at grade from the south, but only by residents or guests, who must pass through the security gate to get to the lower-level parking entrance.

The apartment community on the southern half of the site is a gated, secure environment, a hallmark of Post Properties. The architecture of these units is more conventional than that used in the commercial portion of the project. The apartments can be accessed via two separate road entrances. All units are in walk-up buildings, and many include balconies; there is a variety of floorplans, some of which include direct access to garages.

Limited land area was available to meet stormwater retention requirements for the site, so vaults were constructed under tennis courts and a large stormwater management pond—located along the southern border of the property—was created as an amenity for the residential area. This pond now also serves as a location for fly-fishing casting lessons for one of the retail tenants.

The large-lot residential uses to the south, including the residences of the owners of the land, required considerable buffering and careful attention to tree preservation and landscaping along the southern property line.

## MARKETING/MANAGEMENT/FINANCE

Construction of the project was phased, starting with the 302 garden apartments and the cinema and 20,000 square feet of adjacent retail. The second phase included the remainder of the retail, 100 additional residential units, and the hotel. Parking was a challenge when the cinema first opened, as there were not enough spaces. The problem was remedied upon completion of the second phase by creating more parking behind the cinema, which required an administrative site plan amendment.

Each major component of the project is separately owned and managed: the Harris Group owns and manages the retail; Post Properties owns and manages the apartments; and the hotel is owned by a partnership of the Harris Group and the Panos Hotel Group, with the latter managing the property. Ownership of the residential and retail portions of the buildings that include residential over retail space is divided between the residential and retail owners/developers.

Maintenance of landscaping along the entrances is shared by Post Properties, the Harris Group, and the hotel partnership. The hotel pays a set monthly fee for its share of landscaping and lighting. Retail tenants pay for their share of common area maintenance costs based on the size of their space. Most of the retail tenants finished their own space with a tenant allowance.

The town center concept—with its specialty retail and entertainment attractions—helped draw desirable nationally known retailers to the project. Careful attention was paid to attracting national tenants not presently in the Charlotte area, most of which would have only one store in the market, in order to provide Phillips Place with a unique collection of tenants. The project was marketed to prospective tenants as a regional destination.

One of the leasing advantages for Phillips Place was that the rents—\$26 to \$32 per square foot net of common area charges—were roughly half those of the nearby mall. Many of the tenants originally were mall candidates who were attracted to Phillips Place in part because of its unusual outdoor pedestrian-oriented environment and specialty retail concept. The project also benefited from a tight retail space market in the SouthPark area. Sales per square foot have averaged around \$330 through the end of 1998.

The first tenant to sign on was the theater, followed by the Palm Restaurant—which set the tone for the leasing—and then Dean and DeLuca, which generated daytime traffic and continued the upscale tone of the retail. Other key retailers followed, including Bertolini's Italian Trattoria, Via Veneto Fashion Shoes, Restoration Hardware, and P.F. Chang's China Bistro.

An executive for one of the signature retailers in the project—Restoration Hardware—notes: "As a retailer, we love the outdoor, plaza environment. Our customer loves going back to 'Main Street' where there is an outside presence and a meandering atmosphere. We wanted a place where there were a host of interesting tenants so our customers could walk from shop to shop and sample the fare. We liked the fact that Phillips Place has hints of an historic nature."

The retail portion of the project was 90 percent occupied by December 1997 and achieved 95 percent occupancy by May 1998. The retail center does not have a marketing fund, which has limited the center's ability to sponsor events and promote the center broadly. However, the developer contributes annually to several events and advertising, and most of the large tenants do their own promotions. The developer also provides 24-hour security.

The hotel is an inn and all-suites hotel owned 50/50 by the Harris Group and the Panos Group, which operates the hotel. It offers its guests far more service than the typical limited-service hotel. The inn and suites attract both corporate clients and those visiting Charlotte for the weekend due to its location within Phillips Place, which allows its guest an easy walk to a variety of retail entertainment venues. Hotel occupancy averaged around 83 percent through the end of 1998.

Rents in the apartment buildings range from \$720 per month for 650 square feet to \$2,920 per month for 2,200 square feet; rents generally range from \$1.10 to \$1.30 per square foot per month. Rents are highest in the areas nearest to the retail, especially those directly over the retail stores on the street. The residential portions achieved 98 percent occupancy shortly after opening, and they are now 100 percent leased.

Construction financing for the retail portion of the project was provided by Southtrust Bank, while Compass provided construction financing for the hotel. First Union later provided two separate permanent loans for these elements. A ten-year, nonrecourse permanent loan for \$25,350,000 at 6.79 percent interest for the retail portion was closed on March 12, 1998. The developers found that the retail portion of the project required substantially more equity than a typical retail development, but the project was well received by financing sources.

#### EXPERIENCE GAINED

- Phillips Place is a prime example of how a mixed-use town center can be successfully developed in a fast-growing suburban business district. The project provides an important urban gathering place for the low-density suburban community and illustrates how the relatively dense mixing of a variety of uses can create synergy and a whole that is greater than the sum of its parts. The leasing of the retail and apartments was quick and easily achieved pro forma rents. The hotel occupancy rate is higher than average for the area, and sales per square foot are above average for a retail center of this type.
- While Phillips Place is pedestrian oriented within, it remains very much a suburban development in that it is primarily accessed by car. While the apartment residents and hotel guests can and do walk throughout the center, few of those living or working in the surrounding community are likely to come to the project on foot, as there are no attractive pedestrian pathways that serve the project. There is no existing street system with which the project could be integrated—it is served by only one roadway—and it is separated from adjacent residential neighborhoods by fences. There also are few major generators of pedestrian traffic within easy walking distance, even if attractive pathways existed.
- Phillips Place brings to the Charlotte suburbs a new urban element, giving its residents the opportunity to walk to many conveniences and providing visitors and nearby residents and workers with an exciting combination of dining, shopping, and entertainment in one location. Phillips Place is a major step in the right direction for suburban place making and pedestrian-oriented, mixed use development.

**PROJECT DATA****LAND USE INFORMATION**

Use	Existing
Retail	129,394 square feet
Residential	402 units
Hotel	124 rooms (80,000 square feet)
Parking	790 spaces (200,000 square feet)

Site area: 35 acres

**RESIDENTIAL INFORMATION**

Unit type	Floor area (square feet)	Range of sales/rental prices
One bedroom/one bath	650-1050	\$720-1,260
Two bedrooms/two baths	965-1,335	\$1,170-1,680
Three bedrooms/3.5 baths	1,980	\$2,470
Three bedrooms/3.5 baths	2,200	\$2,920

**RETAIL INFORMATION**

Tenant classification	Number of stores	Total GLA (square feet)
Food service	4	28,224
Clothing and accessories	6	15,045
Shoes	1	3,200
Home furnishings	4	17,553
Home appliances/music	1	1,500
Hobby/special interest	2	8,507
Gift/specialty	6	9,111
Personal services	3	8,775
Recreation/community	1	30,000
Total	28	121,915

Percent of gross leasable area (GLA) occupied: 95 percent.  
 Annual rents: approximately \$26 to \$30 per square foot.  
 Average annual sales: approximately \$330 per square foot.  
 Average length of lease: five to ten years.

**DEVELOPMENT COST INFORMATION**

Site acquisition cost: \$11,950,000  
 Site improvement costs: \$3,907,842  
 Parking deck: \$1,700,000

Construction costs  
 Retail: \$14,254,000  
 Residential: 38,000,000  
 Hotel: 8,000,000  
 Total: 60,254,000

Soft costs  
 Leasing costs: \$1,600,000  
 Construction interest/fees: 786,825  
 Startup costs: 167,000  
 Legal and accounting costs: 45,000

Total development costs: \$80,410,667

**DEVELOPMENT SCHEDULE**

Site purchased: November 1995  
 Construction started: November 1995  
 Phase I completed: June 1997  
 Project completed: March 1998

## DIRECTIONS

*From Douglas Airport:* Follow sign to I-77 and Billy Graham Parkway south. Follow Billy Graham Parkway South to exit marked Coliseum Area Tyvola Road. Take Tyvola Road (becomes Fairview Road) 6.6 miles—Southpark Mall will be on your left. Travel through the next large intersection (Sharon Road)—Phillips Place is on your right.

*Driving time:* 15 minutes in non-peak traffic.

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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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An aerial view of Phillips Place, depicting the main street retail, with the theater in the lower left, the hotel in the upper right, and the residential section in the upper left.



An elegant fountain is the focal point of each end of the main street, and an extensive lighting program creates an ambience that encourages evening strolls.



The phillips place Cinemas is a ten-plex movie theater with a state-of-the-art sound system and stadium seating coupled with the architecture of an old movie house.



A main entrance signage feature, which gives interior tenants main road signage.



The Hampton Inn and Suites, flanked by the palm Steakhouse, which affords overnight visitors high-quality, convenient dining



Residences adjacent to and directly over retail space enjoy a beautifully landscaped private courtyard.



A view of the main street with the hotel in the background.



phillips place site plan.