



Clayton Lane

Denver, Colorado

Project Type: **Mixed Use/Multiuse**

Volume **36** Number **19**

October–December 2006

Case Number: **C036019**



PROJECT TYPE

Located in the suburban neighborhood of Cherry Creek in Denver, Colorado, Clayton Lane is a 704,000-square-foot (65,488-square-meter) mixed-use redevelopment that combines high-end retail space with offices, a luxury hotel, and 25 condominiums. The site once accommodated a freestanding Sears department store and automotive center; now the structures there are oriented toward a main street (also named Clayton Lane) that runs through the project. Rezoning of the site to increase the building height and project density resulted in the addition of 500,000 square feet (46,511 square meters) of mixed-use development. The project's design incorporates pedestrian-friendly streets and is intended to encourage bike use.

LOCATION

Inner Suburban

SITE SIZE

9.5 acres/3.84 hectares



LAND USES

Office Building(s), Hotel, Condominiums, Neighborhood Retail Center, Main Street Retail

KEYWORDS/SPECIAL FEATURES

- Infill Development
- Pedestrian-Friendly Design

WEB SITE

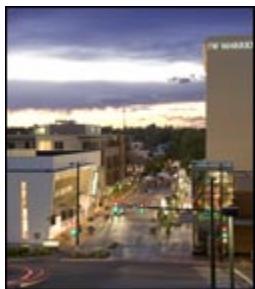
www.claytonlane.com

DEVELOPER

The Nichols Partnership, Inc.
Denver, Colorado
303-291-2200



www.nicholspartnership.com



ARCHITECT/PLANNER

David Owen Tryba Architects
Denver, Colorado
303-831-4010
www.dota.com



Shears Adkins Architects
Denver, Colorado
303-436-9551
www.shearsadkins.com

RNL Design
Denver, Colorado
303-295-1717
www.rnldesign.com

LANDSCAPE ARCHITECT



Studio Insite
Denver, Colorado
303-433-7100
www.studio-insite.com

HOTEL DEVELOPER

Sunstone Hotel Investors
San Clemente, California
949-369-4000
www.sunstonehotels.com

GENERAL DESCRIPTION

Clayton Lane is a 704,000-square-foot (65,488-square-meter), pedestrian-oriented mixed-use redevelopment in Denver's Cherry Creek neighborhood. Over four years, it grew from a freestanding Sears department store and auto center with a 650-car parking lot. The \$163 million development, completed in March 2005, was one of the first mixed-use infill projects of its kind in Denver. Named for the privately owned street on site called Clayton Lane, the project combines high-visibility, high-end shops in every building with offices, a hotel, and condominium units.

Located in the heart of the Cherry Creek North commercial district and surrounded by some of Denver's most affluent and historic neighborhoods, Clayton Lane was intended to establish new standards for the city's infill development by combining high-quality design, architecture, and building materials.

The 9.5-acre (3.84-hectare) Clayton Lane development features a 170,000-square-foot (15,813-square-meter) corporate headquarters for the Janus Capital Group; a 196-room JW Marriott Hotel with a restaurant, a spa, a ballroom, meeting space, and an outdoor event courtyard; and 25 upscale condominiums. Totaling 336,110 square feet (31,266 square meters), the retail space includes a remodeled 133,000-square-foot (12,372-square-meter) Sears store with a new, detached, below-grade auto center; a Whole Foods market; and new shops and

restaurants.

There are 1,647 parking spaces, mostly in underground garages and an above-ground parking structure. Walking and biking are encouraged by wide sidewalks and bicycle lanes that connect to the nearby Cherry Creek bike path. An added incentive for bicyclists: the project features a bike-commuter facility and shop that were made possible through a partnership with a local nonprofit organization, Transportation Solutions.

The partnership with Transportation Solutions won Clayton Lane the U.S. Environmental Protection Agency's 2004 Clean Air Excellence Award. In addition, the project has won numerous other awards, including the Massachusetts Institute of Technology Spaulding Award and three awards from the National Association of Industrial and Office Parks in 2004 (Development, Developer, and Office Development of the Year). The project also was a finalist for the Urban Land Institute's 2006 Award for Excellence.

SITE

As mentioned earlier, Clayton Lane is located in the heart of Cherry Creek, in affluent southeast Denver, at the busy intersection of First Avenue and University Boulevard. Cherry Creek has 10,000 residents and boasts an average household income of \$181,000 for 2005. The average single-family home costs over \$600,000, but many are priced in the millions. Nearly 2.1 million of the Denver metropolitan area's 2.6 million residents live within a 30-minute drive.

Anchoring the neighborhood is the upscale 970,000-square-foot (90,232-square-meter) enclosed Cherry Creek Shopping Center. Owned by Taubman Centers, Inc., the mall is a national leader in mall sales. Across First Avenue from the mall, Cherry Creek North's 16-block outdoor retail district is defined by its own business improvement district (BID), which includes Clayton Lane. The Cherry Creek North BID benefits from a special taxing district, which amounted to \$2.3 million in 2005 for maintenance, marketing, and improvements within the district. With 320 businesses, including 50 restaurants, 60 spas and salons, and 23 art galleries, Cherry Creek North is the region's largest concentration of independent retailers.

Clayton Lane occupies a historic site in the development of Denver. In 1925, the legendary architect/developer Temple Hoyne Buell paid \$25,000 for 49 acres (20 hectares) of land at the intersection of East First Avenue and University Boulevard. The land was close to growing affluent neighborhoods but was three miles (five kilometers) from downtown, so he leased it to the city, which used it as a dump. Twenty years later, Buell began work on the aforementioned Cherry Creek Shopping Center, using Nichols's shopping center model to develop Denver's first and most successful mall. He also designed the two-story blond brick and buff sandstone Sears Roebuck building, which opened in 1954.

DEVELOPMENT PROCESS

The developer of the project is Clayton Street Associates, LLC, a joint venture between Sears, Roebuck & Company and the Nichols Partnership, Inc., based in Denver. The Nichols Partnership was the developer of the retail, office, and residential components and master developer of the JW Marriott hotel.

Founded in 1993 by Randy Nichols, the Nichols Partnership specializes in residential, office, and mixed-use projects in Colorado. Before Clayton Lane was constructed, the Nichols Partnership represented \$200 million in commercial development; now it represents \$420 million in commercial projects. As of October 2006, the firm is planning to break ground on the Spire, a \$140 million, 42-story condominium tower with 503 units located at 14th and Champa streets in downtown Denver.

In 1996, Sears began exploring the possibility of redeveloping the site. Two years later, the company signed a lease with Whole Foods and started building the grocery store. However, the proposed designs for the remaining land were based on a suburban power-center model that retained the surface parking lots. The Cherry Creek neighborhood expressed a desire for a new urbanist plan with retail storefronts abutting the sidewalk and below-

grade parking to help meet the neighborhood's need for more parking facilities.

In 1999, as part of a nationwide request-for-proposals process, Sears selected the Nichols Partnership and Cincinnati-based Madison Marquette, a national developer of lifestyle retail, as development partners. The Nichols Partnership became a development partner just as Whole Foods was completing construction. Planning began in January 2000. In 2001, Madison Marquette dropped out of the development team, but not before soliciting Crate & Barrel, one of the site's key anchors.

The Nichols Partnership took over management of the project's retail, office, and residential development. Developer Randy Nichols had limited experience in this type of mixed use, but he knew the political landscape, having lived in the area and served on various Cherry Creek committees. Sears contributed the land and the Whole Foods lease to the partnership, signed a 99-year lease on its revamped store, and retained 45 percent ownership of the redeveloped project.

Before obtaining financing, the developers had to negotiate construction impact mitigation and logistics for the operating Sears and Whole Foods stores. For example, they had to renegotiate the Whole Foods lease, which required providing temporary loading docks and a shuttle to off-site parking for employees during the first phase of the project.

Unusual retail projects generally require a high percentage of preleasing to qualify for a construction loan. The key for Clayton Lane was lining up the Janus Capital Group as a build-to-suit office client, which proved critical to inspiring lender confidence and solidifying project approval. The Janus and Whole Foods leases allowed the developers to start construction and to secure key retail leases such as Crate & Barrel. They also paved the way for selling the hotel site and starting presales for the condominiums.

The Denver-based Janus Capital Group had offices scattered throughout Cherry Creek. Its reputation as a good corporate citizen—derived from sponsoring Cherry Creek events—helped the developers win rezoning with exemptions from a neighborhood height limit, a key factor in making the hotel and office components financially viable. The Class A Janus offices occupy 170,000 square feet (15,813 square meters) of space on seven floors.

Janus and the Cherry Creek neighbors in turn wanted a four- or five-star boutique hotel with conference and banquet space. Attracting a luxury hotel proved difficult following the September 11 terrorist attacks, when the hotel industry and boutique hotels in particular suffered from a significant economic downturn.

In April 2003, the development team sold the 13,000-square-foot (1,209-square-meter) hotel site, which included 100 parking spaces and air rights for 145,000 square feet (13,488 square meters) of density, for \$7.2 million to California-based Sunstone Hotel Investors, LLC. Sunstone then engaged Minneapolis-based Mortenson Development, Inc., an affiliate of the general contractor, to develop and build the hotel with a guaranteed takeout of the construction loan secured through financing from New York-based Westbrook Partners.

In another unusual arrangement, the 11-story JW Marriott Hotel tower sits above 22,000 square feet (2,046 square meters) of retail space owned by Clayton Street Associates. Marriott leases the 5,204-square-foot (484-square-meter) courtyard located in the interior of the block next to the hotel restaurant.

COMMUNITY OPPOSITION

The developers of Clayton Lane had to overcome significant resistance from powerful neighborhood groups concerned with every aspect of the project, from its height, massing, and design, to its potential impact on traffic and parking. As designed, Clayton Lane would encompass nearly one-fourth of the Cherry Creek North district and introduce more of a downtown urban feel with its higher buildings and greater density. No project this size had been built there since the mall.

A major concern was resistance to what the neighborhood perceived as a potentially more corporate retail environment. Cherry Creek North neighbors wished to preserve their eclectic identity of unique and independently

owned businesses. The merchants were worried about the project attracting its tenant base from the nearby Third Avenue retail corridor. They wanted to know the tenants and how the developers were putting together their merchandizing mix, and they wanted assurances that the project would not feature the typical national chain mall retailers.

To try to win the neighborhood's approval, Randy Nichols and his team met with seven neighborhood groups, including the Cherry Creek Steering Committee (a citizen committee), the Cherry Creek North Design Advisory Board (the official city-appointed design review board), and the Cherry Creek North BID (the decision-making body for commercial interests). The adjoining neighborhoods' highly active citizens and business leaders ensured that the project was being followed closely at the city's highest political levels.

The architecture and tenant mix, along with adequate parking for employees and patrons, eventually won over the neighborhood. In January 2001, after a long and sometimes ugly battle to win neighborhood and city support, Denver's city council approved the rezoning for Clayton Lane unanimously.

FINANCING

Clayton Street Associates had two equity partners: Sears for 45 percent and Centennial Venture IV at 55 percent. The Nichols Partnership, an investor in Centennial Venture IV, managed the project, with Sears approving decisions.

The Clayton Lane project required significant financial, legal, and entrepreneurial creativity, including securing mixed-use construction financing with six different construction lenders in a turbulent local real estate market. No public subsidies were used for the project.

The build-to-lease arrangement with Janus, for example, presented a financing catch-22. The developers could not secure a construction loan because they needed a lease, and at the time Janus was committed to leases in four buildings. The developers contracted to deliver the building by January 2003 or Janus could terminate and walk away from the lease. The developers had to begin construction without a loan to maintain the delivery schedule. Over a period of eight months, the Nichols Partnership had no construction loan, and for five months, no lease from Janus, so Randy Nichols committed \$8 million in family equity to keep construction going. A construction loan eventually was secured with the Dallas, Texas-based Guaranty Bank and a syndication of lenders including Compass Bank, Vectra Bank (California Bank and Trust), and National City Bank. Citywide Bank and LaSalle Bank financed subsequent phases of the development.

With Janus signed to a 15-year lease for the office space, the bank syndication provided \$91 million in financing to build the project's office, residential, and retail components. The construction loan was administered in phases, with significant preleasing and presale requirements for each phase.

Construction financing for Clayton Lane came from the following sources:

- Guaranty Bank and a syndication of Guaranty Bank, Compass Bank, Vectra Bank, and National City Bank provided a \$61.2 million loan to construct retail space, underground parking, the Janus office building, and the Phase I parking structure. The loan averaged approximately 5 percent interest, with \$17.7 million in equity and preleasing of 166,000 square feet (15,441 square meters) of office space to Janus.
- Citywide Bank provided a \$4.4 million loan for the hotel retail uses, at 5 percent interest with \$2 million in equity.
- LaSalle Bank provided a \$25.3 million loan for the condominiums and retail space at 6 percent interest, with \$12.2 million in equity and presale of 50 percent of the units.
- Permanent financing for all Clayton Lane retail was provided by Allstate Life Insurance Company. This financing was for \$51 million at a 6 percent interest rate over 118 months.

Further complications arose after September 11, when lenders became difficult to secure. The original bank group would not finance the hotel, so it had to be separated from the rest of the project and sold to a hotel development

specialist that had better access to hotel financing. Financing for the 22,000-square-foot (2,046-square-meter) retail space beneath the hotel became problematic because the bank group was not willing to lend to build retail uses within a hotel structure. The developers had to find a new bank for a construction loan for the hotel retail space.

Another challenge was working with the city and the Cherry Creek North BID to provide parking for the district's hourly employees, who were being displaced by a new metered street-parking plan in the district. The city and the BID asked the developers to provide 199 parking spaces, which the developers estimated would cost \$4.7 million. However, with a new mayor and no funds readily available (and no assurances that they would be reimbursed), the developers had to take on the risk of building the parking as part of Phase I construction of the \$18.2 million mixed-use structure. After the developers erected the parking facility, the city bonded for and purchased the parking spaces.

With legal counsel from David Packard of Boulder-based Packard and Dierking, LLC, the developers created a planned community ownership structure for the entire project that gave Clayton Street Associates flexibility in selling and conveying property. At the time, the declaration for the planned community was one of the most complex and comprehensive in Colorado. The planned community's Clayton Street Owners Association comprises 15 commercial units and a separate and subordinate homeowners association that governs the condominium units.

PLANNING

The "big idea" for Clayton Lane's master plan, produced by Denver's David Owen Tryba Architects and Shears Adkins, was to transform the site from suburban to urban in character. The land use plan, begun in January 2000, called for a new urbanist mixed-use retail district with enough density and uses to bring vitality to an underused area between the Cherry Creek North neighborhood and the Cherry Creek mall.

By adding density and mixed uses, Tryba theorized that the project would become a new commercial hub for Cherry Creek North and bring greater value to the land. The intent was to create a sense of synergy and a high-end extension of Cherry Creek North, where people could live, work, shop, and eat.

Tryba started with the Sears building on a superblock, 76 percent of which was asphalt parking lots. Organized to accommodate existing constraints such as the Sears and Whole Foods buildings, the master plan introduced a new 400-foot-long (122-meter-long) street, Clayton Lane, from Second to First avenues as a focal point for the site and to provide a gateway for Cherry Creek North. By inserting the street, the master plan divided the site into two somewhat smaller urban blocks—a 60/40 split.

A private street owned and maintained by the Clayton Street Owners Association that functions as a public right-of-way, Clayton Lane extends Clayton Street from the north, linking Cherry Creek North to the main entry of the Cherry Creek mall and reconnecting the residential and commercial districts to Denver's orthogonal grid. Clayton Lane also links neighborhoods up Sixth Avenue to the Cherry Creek path that runs north-south through the east side of the city.

ZONING, ENTITLEMENTS, AND VARIANCES

The development team sought to have the site rezoned and to acquire entitlements and variances that allowed for the height and density to support an office building and a luxury hotel in Denver's most restrictive district. The effort required over 36 months of negotiating many layers of approvals with the city and neighborhood groups.

Zoning permitted a height of up to 55 feet (16.7 meters). Janus and the hotel both required taller structures. The developers had to convince the neighborhood that the project—particularly the hotel—was in their best interest. The zoning variance, received in 2001, allowed for 110 feet (33.5 meters) for the office building and 130 feet (39.6 meters) for the hotel. With the building height increases, the developer transferred the site's floor/area ratio (FAR) from the private street area and the Whole Foods parking lot to allow for greater density for the office and hotel.

The development team also maximized the FAR with bonuses for residential space, open space, and below-grade parking. By adding more than 500,000 square feet (46,511 square meters) of mixed-use development, the project nearly quadrupled the site's built area, increasing the density from 0.4:1 to 1.5:1. The negotiations produced a rezoned site with waivers and conditions specified in the Sears–Cherry Creek Planned Building Group.

DESIGN

The developers hired David Owen Tryba and his firm, David Owen Tryba Architects, designers of the city's new municipal building, to handle the master plan, urban design, and second and third phases of the project. The design team included two other Denver firms: RNL Design for Phase I and Shears Adkins Architects as a design consultant for all phases of the project. S.A. Miro was responsible for civil design and for architectural changes to the Sears building. Studio Insite of Denver designed the landscape architecture. Arthouse Design completed the project's identity, signage, and wayfinding components.

The commercial focus of Clayton Lane determined the layout of the project. The developers sought to maintain the neighborhood's character with a similar tenant mix of high-end niche retailers. The architects took their design cues from the neighborhood and designed a variety of storefronts, giving buildings individual character and appropriate scale and massing.

Architecturally, the design for Clayton Lane aimed to create a lively pedestrian environment at street level. This was an improvement over Cherry Creek North's subterranean retail plazas, the result of a 1960s-era zoning loophole that allowed developers to double retail space with both eye-level and English-basement-level shops.

Every Clayton Lane building, in contrast, contains ground-floor retail space, with storefronts, display windows, and entries located on the street. The project's west side features deeper storefront bays for home-furnishing displays. The east side shops have shallower bays, mixing luxury shops and service retail.

On East Second Avenue, 16,000 square feet (1,488 square meters) of retail space surrounds the edges of a mixed-use parking structure. Tenant spaces were designed by Shears Adkins Architects, including the space for Peet's Coffee & Tea, Design Within Reach, Coldstone Creamery, and a Wells Fargo bank, with 5,300 square feet (493 square meters) of second-floor retail and office space. The scale of the retail row, with storefronts on the sidewalk, masks an alley leading to mid-block loading docks for Crate & Barrel, Sears, and Whole Foods. Elsewhere, mid-block alleys function like promenades; one perpendicular to Clayton Lane leads to the courtyard and the curtain-walled Janus lobby.

Clayton Lane's urban design is new urbanist, with narrow streets, parallel on-street parking, wide brick sidewalks, and careful massing of buildings to preserve sunlight and views. The architecture and streetscape design, however, are sleek and modern—what Tryba calls “modern urbanism.”

One of the architectural goals was to reduce the mass of the buildings, which exceeds that of the surrounding neighborhood in height and bulk. The window design for storefronts and upper levels, detailing in the facades, and variety of materials such as brick, granite, limestone, metal, chrome, and wood reduce the building masses to human scale at the sidewalk level. The architecture incorporates similar materials to tie into the appearance of other structures in the neighborhood. Blond brick, for example, is used for retail facades on the east side of Clayton Lane to blend with the Sears building.

Generous 12.5-foot (3.8-meter) sidewalks with trees and flower planters are intended to effect a sense of community space; elsewhere on the perimeter, sidewalks typically are nearly eight feet (2.44 meters) wide. The streetscape contains streetlights, benches, and landscaping designed to blend with the residential neighborhood. The courtyard provides outdoor gathering space.

PARKING

Clayton Lane encourages people to leave their cars at home with the Cherry Creek Bike Rack, a bike-commuter

facility and shop. The Bike Rack features amenities such as free indoor bike parking; changing facilities; a restroom; bike maintenance, repair, and rental; and guaranteed rides home in inclement weather.

For those who drive, Clayton Lane provided a solution to Cherry Creek North's parking problems. With 1,647 parking spaces, the project added 1,000 spaces to the site. The majority are concealed in below-grade garages and in an above-grade parking structure wrapped in retail. The overall parking ratio for the site is 2.4 spaces for every 1,000 square feet (93 square meters). Through an intergovernmental agreement with the city, 199 of the above-ground parking spaces on Second Avenue are owned by the city and reserved for the district's retail employees.

There are five parking areas:

- An above-grade, four-level parking structure with 458 spaces. The first two levels of the structure, completed in Phase I, are wrapped in retail shops and restaurants.
- A parking garage with three levels and 529 spaces, located beneath the Janus building and JW Marriott hotel.
- A four-level underground parking garage on the west side of Clayton Lane with 495 spaces.
- A street-level parking lot at Whole Foods with 147 spaces.
- Street parking on Clayton Lane, with 18 spaces (self-service parking-receipt kiosks accept credit cards).

Clayton Lane provides adequate parking to satisfy zoning requirements. Because a shared parking study was conducted, the parking requirements for the project were able to be reduced by 25 percent. At least a third of the total spaces are shared; those located in the Janus building, for example, are used for office purposes from 8 a.m. to 5 p.m. on weekdays and for hotel and retail valet parking in the evenings and on weekends.

Facing many engineering and construction challenges, the project called for considerable infrastructure improvements. One major challenge involved building on and providing utilities to a very compact site in the heart of a thriving commercial district. Another was furnishing stormwater infrastructure. A 36-inch (91-centimeter) stormwater outfall was required, which had to be built through the adjacent mall property.

Existing conditions also included underground storage tanks, sandy unstable soils, an aggressive underground aquifer, and construction that had to occur over and around a 75-year-old, 66-inch (167-centimeter) pressurized concrete water conduit that bisected the site. The general contractor had to take extensive precautions to avoid damaging the water main, which would have been disastrous to the project and the surrounding area. The worst-case scenario threatened to become a reality when, during excavation of the four-level underground west garage, one of the dewatering systems failed, causing flooding and heaving of a significant section of the parking garage wall. An escape plan for the crew working on the foundation wall was successful, and the shoring and lagging for the wall held. The general contractor was able to restore the dewatering system, which averted a water main break.

The construction around existing structures and infrastructure was costly in both time and money. The developers estimate they spent \$8 million to demolish the old Sears auto center and build the new one and to remodel the Sears building with new entries, a new interior, and appropriate fire separations. Building the auto center below grade was an architectural challenge because of exhaust and noise. This structure was built around the fully operating Sears and Whole Foods stores, which required significant retrofitting to accommodate site utilities and connections to new phases of the project. The developers estimate that the project took an extra year, compared with beginning with a vacant site, to accommodate the Sears and Whole Foods operations.

MARKETING, MANAGEMENT, AND TENANTS

Brokers for the condominiums developed a list of interested and qualified buyers before the developers broke ground. In July 2004, they held an invitation-only kickoff party after ground breaking, and lined up reservations or contracts for 21 of the 25 units. Two additional units were under contract by the time the condos were finished,

and the two remaining ones sold soon afterward.

Retail leasing was handled by b2 and company of Park City, Utah, which specializes in lifestyle retail for mixed-use development. A management company, Centennial Realty Advisors, manages the entire site, including retail and office space. As of August 2006, about one-fourth of the 21 retail tenants sell home furnishings, surpassing the home furnishings opportunities provided at the mall or in neighborhood shops.

In keeping with most of the neighborhood, Clayton Lane is upscale. With the exception of Sears and its auto center, most stores and services tend to be geared toward affluent patrons—for example, the beauty spa, the high-end condos, the jeweler, and the restaurants. In this sense it caters to an elite market, rather than serving those with a mix of incomes, which is a goal of new urbanism.

PERFORMANCE

The sale of residential and office components set new records for Denver real estate on a per-square-foot basis and as mentioned previously, 23 of the 25 residential units were presold before construction was finished; the remaining two were sold soon after completion. Clayton Lane has catalyzed the development of new mixed-use infill projects on neighboring blocks.

The condos sold for prices ranging from \$365,000 to \$1.6 million, with an average sales price of \$432 per square foot (\$4,644 per square meter). A penthouse unit sold for \$592 per square foot (\$6,364 per square meter), a Denver condominium record at the time. Resale of some units has commanded nearly \$700 a square foot (\$7,525 per square meter).

Retail leasing exceeded expectations in a very competitive retail market. Clayton Lane opened its last phase with 91 percent of new storefronts leased at an average of \$37 NNN a square foot (\$397.75 per square meter)—slightly less than rates commanded at the Cherry Creek mall. Taxes, insurance, and common-area maintenance fees add an additional \$12 per square foot (\$129 per square meter).

The 2005 sale of the Janus building for \$56 million to Commerzbank of Germany eclipsed Denver's previous office sales price per foot by over 50 percent. In June 2006, the developers sold 181,000 square feet (16,837 square meters) of Clayton Lane retail space to AmCap Properties Inc. for \$96.8 million, or \$533 per square foot (\$5,729 per square meter), which broke retail sales records. The average return on investment for Clayton Lane equity investors is 40 percent, including all recent sales. The developers' only remaining asset at Clayton Lane is the Sears building site, which is subject to the Sears 99-year ground lease.

EXPERIENCE GAINED

Clayton Lane is characterized by new urbanism's density and mixed uses, where people can walk to work, eat, and shop. At a recent arts festival, for example, thousands of people filled the streets, sidewalks, and events courtyard. But even on a typical weekday morning, many people visit.

This liveliness can be a disadvantage, according to some condo residents who have criticized the noise levels, especially at night when people are out walking and restaurants are open late. The developers say the noise level is typical of mixed-use projects in dense urban neighborhoods, and that most condominium residents selected Clayton Lane specifically because it offers a lively environment.

Mixed-use infill poses challenges and risks but, if done well, can be highly rewarding. In the case of Clayton Lane, the mix of uses helped attract both residents and retail tenants. In addition, the hotel and office space helps support the shops and restaurants.

Finally, financing and entitlements may entail risks for the developer and generally are not achieved in a linear fashion. Randy Nichols describes the Clayton Lane project process as "ready, fire, aim."

PROJECT DATA		
LAND USE INFORMATION		
Site area (acres/hectares): 9.5/3.84		
LAND USE PLAN		
Use	Area (Acres/Hectares)	Percentage of Site
Buildings	5.53/2.23	58.5
Streets/surface parking	2.02/0.81	21.4
Landscaping/open space	0.43/0.17	4.6
Hardscape	1.47/0.59	15.5
Total	9.45/3.82	100
GROSS BUILDING AREA		
Use	Area (Gross Square Feet/Square Meters)	
Office	175,887/16,361	
Retail	321,460/29,903	
Hotel	141,000/13,116	
Residential	46,420/4,318	
Total GBA	617,004/57,395	
LEASABLE AREA		
Use	Area (Square Feet/Square Meters)	
Office net rentable area	162,874/15,151	
Retail gross leasable area	312,591/29,078	
Sears Auto Center	21,789/2,026	
Floor/area ratio:	1.5	
Number of parking spaces:	1,482	
RESIDENTIAL INFORMATION		
Total number of condominiums:	25	
Total gross area (square feet/square meters):	46,420/4,318	
Total salable area (square feet/square meters):	39,351/3,660	
Average cost (per square foot/square meter):	\$434/\$4,665	
Most expensive unit per square foot/square meter:	\$596/\$6,407	
Smallest unit (square feet/square meters):	845/78.6	
Largest unit (square feet/square meters):	2,859/266	
Average unit size (square feet/square meters):	1,574/146.4	
OFFICE INFORMATION		
Percentage of occupied net rentable area:	96.6	
Number of tenants:	1	
Tenant size (square feet/square meters):	157,302/14,632	
Annual rents (per square foot/square meter):	approximately \$29/\$311	
Length of lease:	15 years	
Terms of lease:	Tenant pays base rent, plus pro-rata share of center operating expenses plus insurance; landlord pays taxes	
HOTEL INFORMATION		
Number of rooms:	196	
Standard room size (square feet/square meters):	430/40	
Luxury/suite room size (square feet/square meters):	800/74	
Presidential suite size (square feet/square meters):	1,400/130	
Range of room sizes (square feet/square meters):	430–1,400/40–130	
Occupancy rate:	70 percent (spring 2006)	
Average room rate per night for standard room:	\$189	

Average room rate per night for suites: \$549

RETAIL INFORMATION

Tenant Classification	Number of Stores	Total GLA (Square Feet/Square Meters)
Restaurant	2	12,409/1,154
Coffee	1	1,898/176.5
Ice cream	1	1,300/121
Clothing and accessories	5	19,092/1,776
Home furnishings	3	23,170/2,155
Electronics	1	3,007/279.7
Jewelry	1	978/91
Financial	1	8,929/830.6
Crate & Barrel	1	37,175/3,458
Sears	1	133,493 /12,418
Automotive repair	1	18,769/1,746
Grocery	1	53,126/4,942
Event space	1	239/22.2
Spa	1	9,303/865.4
Total	21	322,888 /30,036

Percentage of gross leasable area occupied: 98

Annual rents (per square foot/square meter): approximately \$30/\$322.50

Average annual sales (per square foot/square meter): approximately \$350/\$3,762.50

Length of lease: 5 to 10 years

DEVELOPMENT COST INFORMATION

	Phase I Parking and Retail	Janus Office and Retail	Hotel Retail	Hotel	West of Clayton Retail	Residential	Total Cost
Land value	\$1,020,000	\$6,390,000	\$1,410,000	\$1,483,768	\$3,820,000	\$1,380,000	\$15,503,768
Shared cost allocation*	\$1,377,671	\$9,587,611	\$363,726	\$2,313,697	\$1,049,089	\$761,715	\$15,453,509
Hard costs	\$11,210,840	\$33,690,801	\$1,983,257	\$3,269,800	\$9,795,993	\$9,677,471	\$69,628,162
Tenant work	\$1,879,259	\$3,353,449	\$1,200,289	\$0	\$4,555,820	\$0	\$10,988,817
Soft costs	\$3,714,765	\$14,104,862	\$1,400,294	\$150,000	\$4,304,250	\$2,085,912	\$25,760,083
Total cost	\$19,202,535	\$67,126,723	\$6,357,566	\$7,217,265	\$23,525,152	\$13,905,098	\$137,334,339

*Shared costs are allocated across all components (retail, office, residential, hotel) of the project and include items such as shared parking, hardscape, landscape, site planning, utility work, demolition, and site preparation.

DEVELOPMENT SCHEDULE

Site purchased: 1999

Planning started: January 2000

Construction started: January 2002

Sales/leasing started: July 2002

Phase I completed: February 2003

Phase II completed: June 2004

Project completed: December 2004

DRIVING DIRECTIONS

From Denver International Airport: Exit airport heading toward Peña Boulevard. After almost ten miles (16

kilometers), merge onto Interstate 70 heading west. A little more than eight miles (13 kilometers) later, take the Colorado Boulevard exit and make a left onto Colorado Boulevard heading south. Stay on Colorado Boulevard for 4.4 miles (7.1 kilometers), then make a right at East First Avenue. A little more than half a mile (0.8 kilometer) later, the Cherry Creek Shopping Center will be on your left. The road named Clayton Lane is the western border of the shopping center and Clayton Lane the development will be on the right side of East First Street, straddling either side of the road named Clayton Lane.

Driving time: Approximately 30 minutes in nonpeak traffic.

Kathleen McCormick, report author
Jason Scully, editor, *Development Case Studies*
David James Rose, copy editor
Joanne Nanez, online production manager
Devon Horne, editorial intern

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.

Copyright © 2006 by ULI—the Urban Land Institute
1025 Thomas Jefferson Street, N.W., Suite 500 West, Washington D.C. 20007-5201



Courtesy of Frank Ciorra Photography

Clayton Lane is a mixed-use redevelopment project comprising a 197-room hotel, retail and office space, and condominiums.



Courtesy of Frank Olmaz Photography

The project features 25 luxury condominium units ranging in size from 845 to 2,859 square feet (78.6 to 266 square meters).



Courtesy of Frank Olmaz Photography

The Janus Capital Group was one of the first tenants with its build-to-suit, seven-story tower.



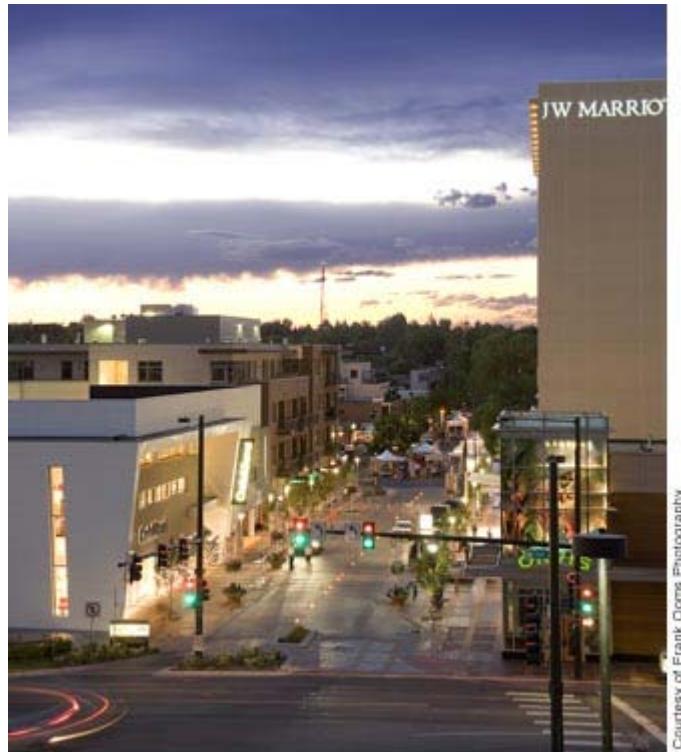
Courtesy of Frank Olmaz Photography

Twenty-one retail tenants line Clayton Lane, including Crate & Barrel, Design Within Reach, Wells Fargo Bank, Peet's Coffee & Tea, Bose, and numerous restaurants, cafés, and boutiques.



Courtesy of Steve Zavodny

Pictured here is a four-level, 458-space parking garage accessed from Second Avenue.



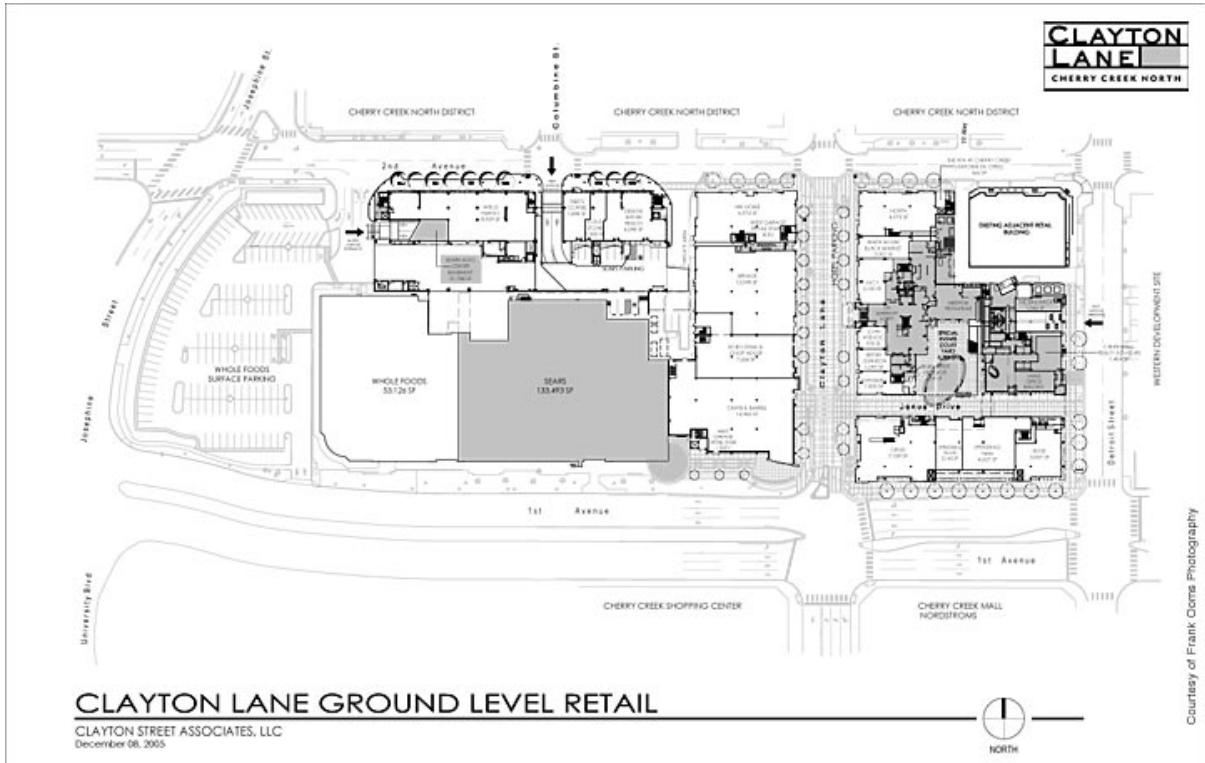
Courtesy of Frank Olmaz Photography

Linking the Cherry Creek Shopping Center with the Cherry Creek North neighborhood, Clayton Lane—a privately owned street sharing the name of the development—is a central focus for the project.



Courtesy of Frank Ciorma Photography

Clayton Lane aerial photo.



Clayton Lane site plan.