Planning for Large Scale Urban Infill:

The Case of the Stapleton Redevelopment

by

Britton Charles Palmberg

A Masters Project submitted to the faculty
Of the University of North Carolina at Chapel Hill
In partial fulfillment of the requirements
For the degree of Master of Regional Planning
In the Department of City and Regional Planning

Chapel Hill, North Carolina
March 2006

Approved by:
Aerial Views of Stapleton Airport Redevelopment Site

A view of Downtown Denver and the Front Range with Stapleton Airport Site in the Forefront (courtesy Forest City Stapleton)

East 29th Avenue Town Center with Downtown Denver in distance (courtesy Forest City Stapleton)
# Table of Contents

Introduction..................................................................................................................................... 1  
Literature Review............................................................................................................................ 3  
Research Methods........................................................................................................................... 5  
Stapleton Location and History ...................................................................................................... 7  
Evolution of Stapleton, 1989-2000................................................................................................. 9  
  Initial Planning Efforts................................................................................................................ 9  
    Bringing the Green Book Ideas to Life..................................................................................... 10  
    Closing the Deal with Forest City......................................................................................... 14  
Forest City Moves Forward ............................................................................................................ 17  
    Forest City Assembles Leadership Team ............................................................................... 17  
    Launching the Project: Retail at Stapleton.......................................................................... 18  
    Initial Residential Efforts at Stapleton............................................................................... 22  
    Expanding Retail: East 29th Avenue Town Center and Northfield at Stapleton............... 29  
    Office Development at Stapleton....................................................................................... 34  
Key Lessons / Takeaways from the Stapleton Redevelopment..................................................... 39  
Conclusion .................................................................................................................................... 44  
Works Cited .................................................................................................................................. 45  
Appendix A: Denver Metro Area Map.......................................................................................... 47  
Appendix B: Stapleton Land Use Plan......................................................................................... 47  
Appendix C: Stapleton Southwest Illustrative Plan...................................................................... 49  
Appendix D: Quebec Square and East 29th Avenue Town Center Tenant Listings ............... 50
Introduction

Suburban expansion has continued largely unabated across the United States over the last 50 years in part because of the lack of available and relatively inexpensive properties in infill locations closer to the core of metropolitan areas. Often, for example, homebuilders seek large acreages of farmland on the outskirts of urban areas in order to deliver large numbers of homes quickly and efficiently to the market. Developers who would like to carry out projects on infill parcels often complain of problems with land assemblage, high land prices, and entitlement delays.

Over the last several years, however, several disparate forces have created opportunities for significant, large scale infill projects in various locations around the country. As the Pentagon continued to consolidate and streamline operations domestically as a result of the end of the Cold War, the Base Realignment and Closure Commission ("BRAC") targeted dozens of military installations, many in or near large urban areas, for closure and conversion to civilian real estate uses. For example, during the 1990s the Defense Department closed the famous Presidio complex in San Francisco, and over the last few years developers have worked with local governments to create a mixed-use recreational, residential, and office complex, including the new headquarters of Lucasfilms (Fost). In Denver, the closure of Lowry Air Force Base in 1991 spurred an infill development of residential and commercial properties within five miles of Downtown Denver.

During the last ten years, the diminishing influence of manufacturing in local economies in the U.S., coupled with increased demand for urban residential options such as lofts and condos, has spurred a significant market for redevelopment of “brownfield” and related
industrial properties in urban areas nationwide. For example, officials in San Diego have
converted an aging industrial area into the Padres’ Petco Park baseball stadium and nearby
residential and commercial developments. Atlanta officials have converted the 138 acre former
home of Atlantic Steel north of downtown into Atlantic Station, a mixed use development
including over 12 million square feet ("SF") of retail, office, and residential space.

A few cities have converted or are considering converting older airport facilities in the
heart of their urban areas to other uses as a result of new airport construction elsewhere. The
City of Austin, Texas, has been working on plans for reuse of the Robert Mueller Municipal
Airport as a mixed-use urban village for several years. The City of San Diego is considering
relocating its current airport away from the increasingly revitalized downtown area and using the
existing airport parcel to augment its central city redevelopment efforts.

As cities, and private developers, continue to pursue and execute large scale infill
developments, whether on brownfields, former military or airport facilities, or on relatively clean
raw ground, the experience of Denver, Colorado in redeveloping the former Stapleton
International Airport should prove instructive. This effort, which began following the movement
of the city’s airport operations to the new Denver International Airport on the Eastern Plains
about twenty miles from Downtown Denver in 1995, continues to evolve. However, planning
for the $4 billion Stapleton effort began over 15 years ago, and Denver’s experience provides
several lessons for large scale infill projects. This paper will examine the progress of the
Stapleton development to date, including its successes and areas for improvement. How did
Denver plan for the redevelopment of the airport site? How was the development program for
Stapleton structured, and how was the private sector brought into the picture? What kinds of
incentives and financing arrangements did the city utilize to launch the development process?
How have the retail, residential, and office components of the Stapleton project fared in the marketplace, and what lessons from the venture’s performance in each of these sectors can developers of other infill projects use? In general, what have development professionals at Forest City, the project’s master developer, learned from Stapleton that can apply to subsequent infill ventures? The paper will conclude with a set of general recommendations for future infill development projects, and in particular for larger scale projects such as base, airport, or brownfield conversions.

**Literature Review**

For several decades following the Love Canal environmental remediation disaster in New York state during the 1970s, developers almost entirely passed over idle brownfield or vacant infill properties in and around cities in favor of greenfield properties. Completing projects in environmentally contaminated or rundown areas was deemed too risky by the capital markets, and as a potential project management nightmare by developers themselves.

Over the last decade, however, redevelopment of infill parcels has rapidly accelerated as larger developers gain more knowledge and a track record of completing infill projects around the country. There are an estimated 450,000 brownfield sites around the country (Bisacquino), and the recent movement toward remediation and reuse started with an effort by the Environmental Protection Agency (“EPA”) to spur safe redevelopment of brownfields in 1995 through technical advice and funding (Max). The 2002 XL Environmental Land Use Report, issued by XL Environmental and the International Economic Development Council, found a 43 percent increase in brownfield land use activities over the years 2000 and 2001 (Squyres).
Today, there is greater confidence in the redevelopment process and in remediation processes and technologies. Concerns regarding sprawl have prompted cities to focus development efforts in brownfield and infill areas, as municipalities continue to cope with higher infrastructure costs and diminished open space as a result of highly dispersed development patterns on the urban fringe. In addition, cities also view brownfield and infill development as significant potential employment generators. According to the U.S. Conference of Mayors Recycling America’s Land Report, 187 cities estimate that over 55,000 jobs could be created on former brownfield sites (ibid). Passage of the 2002 Small Business Liability Relief and Brownfields Revitalization Act, in particular, has stimulated brownfield redevelopment activity. Under this act, developers are protected from liability expenses associated with environmental remediation and can use tax incentives and grants from all levels of government to make brownfield efforts financially feasible. The EPA has continued to grant millions of dollars in funds to promote brownfield reuse (Bisacquino).

Because the Stapleton Airport site contained numerous environmental hazards, such as jet fuel and other chemicals remaining as a result of airport operations, the project represents not only one of the largest infill projects in the country, but one of the largest brownfield case studies as well. Although brownfield efforts have had to overcome hurdles in terms of mitigating the environmental and legal risks of remediation efforts, reuse of these sites tends to carry less political baggage than traditional redevelopment or “urban renewal” initiatives of the post-war era. Fostering redevelopment of these sites usually does not involve controversial eminent domain or relocation initiatives, as is often the case when developers wish to carry out infill efforts in existing neighborhoods. Because the average brownfield site nationwide includes 41 acres, these reuse efforts usually do not involve time-consuming and difficult movements to
assemble parcels (Fulton). Properties such as Stapleton represent highly unique opportunities: large acreages of land in the center of metropolitan areas, obtained without controversial land assembly methods.

While the reuse of older industrial areas in central cities has garnered a great deal of media attention with regards to brownfields redevelopment, the conversion of airports also represents an example of the emerging prominence of brownfield redevelopment around the country. The Stapleton effort has benefited greatly from efforts at all levels of government, as well as interest from developers and other parties in the private sector, in reusing brownfield sites in order to create economic activity and development on infill locations.

**Research Methods**

This project utilizes primarily qualitative analysis of the redevelopment process at Stapleton, spanning the entire project from initial planning through current performance of the venture in the Denver real estate marketplace. The Stapleton redevelopment represents a good case study for infill projects because it is currently the largest infill effort in the United States and has garnered significant headlines in the development community. In addition, the author lived in Denver during the summer of 2005 and visited the Stapleton area on several occasions, and this familiarity aided the research efforts. In addition, although many years of development remain at the Stapleton site, most of the primary retail components of the venture, as well as some of its residential components, are already substantially in place. In less than five years, Stapleton has already established a track record of performance than can provide lessons to the planning and real estate development community.
Research began with general, background Internet research concerning Stapleton, including articles in newspapers, business journals, real estate publications, and related sources. This included an examination of Stapleton information displayed on the websites of the Forest City Corporation and the City and County of Denver, and marketing materials from Stapleton. The Green Book, the primary planning document for Stapleton published during the 1990s, provided invaluable information concerning the initial efforts at the grassroots and governmental levels to launch the Stapleton project. Following this secondary research effort, the focus of research shifted to discussions with officials from Forest City Denver and other stakeholder organizations, first by email and then by telephone, to gain additional knowledge and insight concerning the project. Phone interviews lasted between 30 and 60 minutes each and provided very valuable information for this project. Interview participants freely shared knowledge concerning Stapleton, and this primary research provided valuable material necessary to make the recommendations outlined at the conclusion of this report.

The research process remained objective in nature. The report summarizes the history of the Stapleton effort and its progress to date. This paper focuses mainly on the planning process and the real estate development strategies employed by Forest City in carrying out the project. Although it briefly mentions certain design elements impacting the project, this document does not substantially analyze the Stapleton venture from an urban design standpoint.
Stapleton Location and History

The site of the former Stapleton International Airport enjoys an enviable location, strategically located between Downtown Denver and the new Denver International Airport, about 20 miles northeast of downtown. The Stapleton development is about five miles east of downtown near the junction of Interstates 70 and 270 and Quebec Street. City leaders dedicated the area as Denver Municipal Airport in 1929, and at the time ranches and farms on the city’s fringe surrounded the facility. The airport grew from 345 acres to around 4,700 acres by the 1980s, and the arrival of commercial jet transportation, coupled with the growth of Denver and the Colorado region following World War II, made Stapleton International Airport the primary air facility serving the Rocky Mountain region. The completion of Interstate 70 nearby helped spur suburban growth on the east side of the metropolitan area, and today Stapleton has a very central location in metro Denver, which now stretches dozens of miles from the Rocky Mountain foothills west of Morrison to the Eastern Plains of Aurora. The outer freeway and tollway loop around the east side of Denver, C-470, and anticipated commercial and residential growth near DIA make Stapleton’s close-in location within a ten minute drive of Downtown even more attractive.
As Denver grew around Stapleton between 1950 and 1980, several factors led the community to consider an alternate location for an expanded new international airport. Residents of surrounding residential neighborhoods, including Park Hill, brought suit against the city for noise created by the airport and lobbied against expansions of runways. Due to inadequate spacing between runways, traffic at the airport notoriously backed up during Denver’s snow events. Adams County threatened to block expansion of Stapleton to the north into the open space of the Rocky Mountain Arsenal area. By 1985, the City of Denver and Adams County reached agreement to relocate airport operations to a new site northeast of the city. By 1989, voters in both jurisdictions approved plans for Denver to annex over 35,000 acres in rural Adams County for construction of a new international airport.

**Evolution of Stapleton, 1989-2000**

*Initial Planning Efforts*

Following the vote, initial planning efforts for the Stapleton property began. Stapleton Tomorrow, a group of 35 citizens from across the city, formed in 1989 to conduct planning for the property and solicited input from a broad spectrum of the Denver community. By 1991, the group completed a concept plan for Stapleton that the City Council adopted as an amendment to Denver’s Comprehensive Plan. The primary issues addressed in this initial Stapleton plan included economic development and job creation opportunities, open space and recreation, and cultural opportunities.

In the next step of the planning process, the City of Denver entered into a partnership with the Stapleton Redevelopment Foundation ("SRF") in 1993, whereby SRF took
responsibility for the management and creation of a more detailed development plan and a physical and financial development plan for the Stapleton property. The SRF also aimed to define a long-term management structure for the Stapleton redevelopment and identify the first phases of development at the site. Mayor Wellington Webb appointed a Citizens Advisory Board (“CAB”) to oversee the redevelopment process in 1993 and include extensive community input in the planning efforts. The SRF and the City assembled a team comprised of a full spectrum of development professionals and consultants from various fields to conduct detailed analyses as part of the Development Plan. The professionals studied various options for Stapleton in terms of site planning requirements, and technical and economic feasibility. Importantly, the planning efforts during this stage involved more than 100 community presentations and meetings and various public workshops and hearings in an effort to fully incorporate the viewpoints of a wide spectrum of the Denver community. The strong commitment to community involvement helped craft a development plan that more fully reflected Denver’s long-term goals for the Stapleton area.

The efforts of the SRF and the CAB culminated in the publication of the Stapleton Development Plan, which has become known as the “Green Book”, in 1995. The document has continued to guide development of Stapleton to this day.

**Bringing the Green Book Ideas to Life**

Following the publishing of the Green Book, the city moved to create structures and processes to bring the redevelopment of Stapleton to fruition. In 1995, the same year Stapleton airport closed and operations moved to DIA, the city created the Stapleton Development Corporation (“SDC”). The goals of the SDC were to work with the city to sign a Master Lease
and Disposition Agreement, which would provide SDC a legal mechanism to take title to the property and sell it to third-parties for development.

This stage of the Stapleton planning process slowed considerably, as officials worked to translate the relatively broad goals and ideals of the Green Book and previous planning efforts into concrete development standards and formal agreements. The effort appeared to languish by the end of 1997. The initial crisis Denver encountered was in defining the roles of the SDC. The city created the SDC to operate as an independent authority over the Stapleton effort. However, the city continued to control authority over all general fund expenditures with regards to Stapleton, and the airport authority continued to exercise control over the parcel as well. The SDC initially saw itself as the master developer of Stapleton. However, the entity controlled zero capital for development and lacked experience in executing real estate developments. In contrast, Denver International Airport and the airlines believed the city should just sell the entire parcel to a third-party developer quickly, and largely remove itself from the Stapleton process. Mayor Webb, meanwhile, insisted that no general fund revenues be spent on the Stapleton redevelopment (Anderson).

By the end of 1997, embattled SDC director Andy Barnes left the organization, and many in Denver’s business community believed the Stapleton effort was languishing. The city itself believed that the SDC suffered from a bloated, bureaucratic operating style, and as a result began selling off parcels on the edge of the airport property to third-party developers, including the King Soopers supermarket chain (Dempsey). In a scathing op-ed piece in the Denver Business Journal, law professor Paul Stephen Dempsey of the University of Denver, who authored a book concerning the construction of DIA, indicated that nine of DIA’s airlines had filed complaints with the Federal Aviation Administration (“FAA”) concerning the operations at Stapleton.
Revenues from the redevelopment of Stapleton, and limited revenues from ongoing leases at the old airport, were intended to retire debt associated with DIA’s construction (Dempsey). During 1997, the SDC spent more than $9 million on its redevelopment efforts, and took in about $2 million from ongoing leases at the airport, leaving a deficit of over $7 million. The airlines believed the delays in redeveloping Stapleton essentially translated into higher gate fees and a more precarious financial position for them at DIA.

At the beginning of 1998 SDC faced several issues, including: 1) resolving who would pay for environmental cleanup of the airport property; 2) deciding who would guarantee the demolition of several airport properties; 3) putting zoning and master design guidelines in place; 4) Officially designating public rights of way and open space areas; 5) submitting master covenants on properties to the city; 6) ensuring that Stapleton’s infrastructure plan was accepted; and 7) legally identifying saleable land parcels at the site (Moore (1)). The airlines and SDC continued to argue during 1997 over costs for environmental remediation at Stapleton, with the parties haggling over $40 to $60 million in “unattributable” costs pertaining to asbestos removal and cleaning up oil spills not caused by the airlines (ibid).

In 1998, the city replaced Andy Barnes with Dick Anderson, a veteran Denver businessman who had developed several business parks in the area and had successfully managed one of the largest employment centers in metro Denver, the Denver Tech Center in the southern suburbs. Mr. Anderson indicated that one of the main challenges the effort faced involved defining the standards for cleaning and remediation of the property. This negotiation process, and the navigation of various bureaucratic channels, delayed the project by at least eighteen months (Anderson). Anderson notes that each party in the negotiation wanted a larger share of management and control in the development process than initially anticipated.
While the SDC, the city, and other players continued to negotiate during the mid to late 1990s, the project continued to attract significant interest from private developers who coveted the airport’s enviable location in metro Denver. A local attorney offered $30 million for the entire 4,700 Stapleton parcel (or about $6,400 per acre). Several large, national industrial developers also expressed interest in the project, including San Francisco-based Catellus, Atlanta-based Industrial Developments International, Inc., and Majestic Realty, one of California’s largest industrial developers. City officials at the time cautioned against simply selling the parcel quickly to a private developer. They indicated that a huge project like Stapleton would still face the same entitlement issues as before, and worried that some private developers would not have the wherewithal to deliver significant infrastructure components, including roads, sewers, and other utilities. Jennifer Moulton, Denver Planning Director, stressed in 1997 that “selling Stapleton to a private developer does not get the government out” (Moore (2)). Private developers countered that the Stapleton effort was missing valuable opportunities to create value in the Denver real estate marketplace, and that quickly selling the parcel to private interests would remove politics and bureaucratic personalities from the mix.

Under Dick Anderson’s new leadership at the SDC, the organization moved more quickly in providing mechanisms to sell Stapleton land to a third-party developer while continuing to adhere to the planning principles outlined in the Green Book. Anderson indicates that the SDC fielded over 100 inquiries from private developers for the Stapleton project, but that in the end the selection process was not overly technical. A selection committee narrowed the field to four or five finalists, and conducted serious interviews of each developer. The SDC carefully researched developers to ensure that they would follow the tenets and general development plan described in the Green Book. However, in contrast to the SDC’s prior efforts, the group moved
quickly, and took only nine weeks from the start of the interviews to select Stapleton’s
developer, Forest City Enterprises of Cleveland, Ohio (Knox).

**Closing the Deal with Forest City**

The SDC’s development agreement with Forest City was a catalyst for moving the
Stapleton effort forward, and has provided the basis for much of the development’s success over
the last several years. The deal essentially removed the SDC from its role as an actual developer
of the property, leaving this responsibility to Forest City. The SDC did retain general
responsibility overseeing the development of greenspace in the Stapleton area. The SDC
selected Forest City as Stapleton’s developer in November 1998, and the company finalized its
purchase agreement and development agreement in February 2000.

Under the agreement, Forest City was responsible for purchasing nearly 3,000
developable acres at the Stapleton site over a 15 year period, with a minimum purchase of 1,000
acres every five years. The company was required to acquire its first 200 acres during the year
2000. This arrangement equals a total of $79.4 million for the Forest City acreage, a total
calculated based upon an independent appraisal in December 1999. In addition to the purchase
price, Forest City was required to provide $15,000 per acre, or a total of $44 million, as a System
Development Fee to be used by the Stapleton Metropolitan District for the development of over
1,100 acres of regional parks and open space at the former airport (Yoko).

In addition to the $44 million in System Development Fees paid by Forest City, the SDC
planned to utilize tax increment financing (“TIF”) financing for the remainder of the regional
park program at Stapleton. Upon completion of these amenities, the SDC was to transfer the
park and open space properties to the City and County of Denver’s Park Department.
Importantly, the city required Forest City to follow the Stapleton Development Plan completed several years prior to the agreement. The document mandated that the developer follow a set of development performance standards and community involvement benchmarks as well. These stipulations ensured that the efforts of the community planning process of the early 1990s would produce tangible results at Stapleton, and that the Denver community would continue to have a significant voice in how the former airport would develop. In addition, a development agreement lacking such provisions may not have met with city approval given the political force of nearby residents and the overall political environment in Denver.

In return for Forest City’s agreement to the aforementioned provisions of the development agreement, the City and County of Denver agreed to deliver environmentally clean parcels to the developer and to complete demolition of necessary structures and the old airport runway on site. Importantly, the city agreed to provide a TIF arrangement to fund public infrastructure improvements at Stapleton. Under the terms of this deal, Forest City assumed project management responsibility to construct infrastructure such as streets and sewers at the site. The city of Denver, through the Denver Urban Renewal Authority (“DURA”) formed a tax increment finance district for the Stapleton property, with Forest City assuming responsibility and risk for infrastructure improvements. DURA’s responsibility was to reimburse Forest City for infrastructure costs by issuing bonds against the incremental increase in property and sales taxes generated by the redevelopment project. The city projected in 2000 that about half of the $674 million in infrastructure costs would be financed through TIF bonds, with the remainder reimbursed to Forest City through increased property and sales tax revenue (The American Banker). However, in an effort to ensure that the city earn a return on its investment in later years as the development progresses, the agreement stipulated that the city’s share of the
incremental increase in property and sales taxes, to be retained in city coffers, increase over a 25 year period, rising to 47 percent during the 2020-2024 time frame. This represents a unique model in that the Stapleton TIF project is expected to return a greater proportion of revenues to the local government in an effort to recoup the city for increased expenditures for police, fire, and other services provided for the development’s new residents and businesses (Robinson et al). Often, TIF arrangements provide for a consistent level of reimbursement to city coffers over the life of a project, with the upside in revenues over time going to the developer. Denver’s TIF arrangement for Stapleton helped provide necessary infrastructure for the project, but allowed the general public and taxpayers to earn a better return from the investment over time.

The enormous size and complexity of the Stapleton deal produced the delay of about 16 months between Forest City’s selection in late 1998 and the finalization of agreements with the city in early 2000. Forest City anticipated closing on the deal by July 1999, but complications in completing appraisals required by the FAA delayed the process. In general, the sheer size of the deal magnified the normal difficulties and challenges encountered in completing due diligence, including land surveys, environmental surveys, and title-transfer mechanics. SDC spokesman Tom Gleason emphasized at the time that “there really is no comparable project anywhere in the United States…There’s no guidebook for this sort of thing. We’re breaking new ground.” (Moore (3)) Items that particularly caused delays included negotiating the TIF structure and establishing the associated metropolitan benefit district associated with the financing structure, as well as negotiations concerning clean-up costs for the environmental hazards at the airport, including contamination from jet fuel and solvents. Forest City’s agreement with the SDC actually included 24 sub-agreements, meaning that any substantive change to one part of the contract necessitated multiple changes elsewhere in the agreement package. Officials indicated
that, in general, the very long-term nature of the contract with Forest City and the development period created many uncertainties that created headaches. All parties realized that assumptions made at the time would change over the next several decades of the relationship. Tom Markham, head of the nearby Lowry Redevelopment Authority in Denver, which is completing the much smaller project involving reuse of the Lowry Air Force Base, noted that “there’s just no cookie-cutter for developing a closed airport.” (Moore (4))

Forest City Moves Forward

Forest City Assembles Leadership Team

As the due diligence process continued during 1999, Forest City worked to assemble its leadership team and begin crafting its development strategy for Stapleton. Hank Baker, who had led the development of the famous 100,000-acre Irvine Ranch master-planned community in Orange County, California, brought his experience to Forest City Stapleton as vice chairman of marketing. Jim Chrisman, who had worked with the SRF in crafting the Green Book during the 1990s and served as the head of development for the SDC, joined as vice president of development. Chrisman’s appointment helped Forest City carry out the community’s vision for the property as detailed in the Green Book. Forest City worked to create bonds with local community efforts with the appointment of Landri Taylor, who had worked on Mayor Webb’s staff, as vice president of community affairs, and John Lehigh, who had been involved in bringing Coors Field to Lower Downtown Denver (“Lo Do”), as executive vice president of Forest City Stapleton (Narvaes).
Launching the Project: Retail at Stapleton

Following completion of the purchase agreement with the city, Forest City began launching its development plan for the former airport. Through demographic and market research, company officials very quickly determined that the northeastern parts of metro Denver were underserved from a retail standpoint. The neighborhoods surrounding Stapleton contained a larger percentage of lower income and minority populations that desired traditional shopping options for basic goods, including those provided by supermarkets and big-box retailers, but often had to drive to the eastern suburbs in Aurora or to the south along I-25 in Denver to shop. In addition, the Stapleton site enjoyed tremendous access to Interstates 70 and 270 and would therefore likely reap additional retail spending from other parts of the metropolitan area. Most importantly, retail development promised a tremendous and rapid increase in commercial property tax valuations at the site and significant sales tax revenues. The incremental increase in the property and sales tax revenue, of course, could be used to finance and advance infrastructure improvements in other areas of Stapleton.

As a result, Forest City launched its efforts at Stapleton in early 2001 with the construction of Quebec Square, a 740,000 SF commercial area on 75 acres along Quebec Street, less than a mile south of the I-70 interchange. This effort was part of the company’s initial purchase of 272 acres at the airport in Spring 2001, including 172 acres for homes and apartments and 25 acres for a neighborhood town center. Signed anchor tenants for Quebec Square included Wal-Mart, Sam’s Club, and Home Depot (Forest City (1)). As reflected in the project’s site map (Appendix D), Quebec Square largely resembles typical “power center” retail shopping areas found throughout suburban areas of the country. The anchor tenants enjoy ample parking areas in front of their stores, and numerous “pad” retail spaces line the development along the primary arterial, Quebec Street. At the request of city officials, Forest City did modify
the site plan for the area in order to lay out the retail buildings on a formal grid pattern, as reflected in the neighborhood streets of 35th and 36th Avenues and Rosemary Street. Company officials indicate that the grid pattern will allow planners to modify the retail acreage to other uses, perhaps including more town center-oriented retail arrangements in a more intimate pedestrian setting, in the future. Although such a scenario is likely at least a few decades away depending on retail market dynamics, the existing grid pattern may allow Forest City or a subsequent developer to modify Quebec Square to a more “New Urbanist” or higher density project without having to revamp the entire street layout and infrastructure system. Forest City’s plan therefore may allow for greater adaptability in coming years at lower costs (Baker). In addition to establishing public streets on a grid pattern within Quebec Square, the company installed detached sidewalks throughout the development in order to create a greater “Main Street” feel in the area and encourage and support pedestrian activity.
The development plan for Quebec Square invited considerable criticism from some local leaders as well as advocates of “New Urbanism”, higher density infill development, and other planning ideas that had been part of the foundation of the Stapleton redevelopment effort over the past decade. Some local leaders indicated that Quebec Square merely represented a cookie-cutter, suburban-style shopping center in the heart of the city. New Urbanists criticized the layout of the retail area, which featured huge parking areas, lower density, and less connectivity between uses than initial plans for Stapleton. The Green Book envisioned the neighborhood southeast of I-70 and Quebec, including the Quebec Square acreage, developing as a high density, mixed-use employment, residential, and commercial area. It also planned for development to tie in with planned transit stops and intermodal transit connections at the location. While concrete plans for light rail along the northern edge of Quebec Square did not exist by 2001, critics believed that the development overly relied on auto transportation and generous parking allotments. In general, some observers in planning circles believed that Forest City had taken the easy road out and planned an uninspiring beginning to its retail efforts at Stapleton.
Forest City officials have contended that market forces and the need to generate funding for subsequent development of the airport site necessitated the retail development plan for Quebec Square. Jim Chrisman, who had participated in the Green Book effort, emphasized that pure market forces and the demographics of northeast Denver drove the company’s decision to pursue big-box retailers (Chrisman). National retailers of all stripes simply look at population and retail market data and choose locations based on this hard data. The underserved nature of the retail market in the area was too striking to avoid pursuing the big-box merchants. Mr. Chrisman also indicated that the success of the Quebec Square venture absolutely relied on attracting national retailers, and that despite the attractiveness of the location Forest City had to compete with other potential sites in metro Denver. He noted that the power Wal-Mart and similar national retailers have over site plans, including parking and building layouts, increases with the number of alternative retail locations in a given area. Furthermore, as is common knowledge in the commercial real estate world, the ability to attract anchor tenants drives the ability to attract subsequent credit-quality tenants for smaller building footprints and pad sites. Developers often must sign a large tenant such as a Wal-Mart or Target in order to attract other strong, highly popular tenants such as Chili’s, Qdoba, Linens n’ Things, and other familiar national chains.

Anchor tenants tend to be fairly demanding in their expectations of developers in terms of site plans, rents, and other terms because their presence drives further development. Smaller retailers sometimes balk at mixed-use or “lifestyle” center arrangements featuring parking along the rear of buildings and placement of the fronts of anchor tenants along main streets, in order to create a more “connected” retail environment. Many smaller retailers often strongly desire pad sites situated in a sea of parking because this placement increases their visibility to drivers and
helps them derive traffic from shoppers traveling to the big-box anchors. Some retailers also object to Main Street-oriented retail centers because these arrangements locate the main parking and loading areas in very close proximity along the back sides of buildings. The presence of loading docks and dumpsters can create aesthetic problems and limit retail viability. These site planning considerations partially influenced Forest City’s move to launch a relatively standard power center at Quebec Square.

In terms of parking, Chrisman indicated that the City of Denver was fairly flexible in its requirements of retail developments. However, Wal-Mart insisted on the inclusion of five parking spaces per 1,000 SF of retail space, a ratio which is standard for suburban power centers, consumes considerable acreage, and often leaves a “sea of parking”, which many urban designers and critics of suburban growth find unattractive.

Most importantly, Forest City officials emphasized that the property and sales tax revenues generated by Quebec Square facilitated the funding of infrastructure of the more “New Urbanist” elements in subsequent stages of Stapleton’s growth. Quebec Square now generates about $8 million in sales tax revenues annually (Montgomery). The company also argues that the retail development has helped provide a significant number of jobs for Denver residents.

**Initial Residential Efforts at Stapleton**

While Forest City’s retail team began development efforts for Quebec Square, the company launched the initial stages of its residential program at Stapleton as well. The company followed the outlines of the Green Book plan for the airport fairly closely and, in general, the housing component followed a very tightly controlled program. Company officials believed from the start that following a very integrated housing plan, in coordination with the
development of retail, office, open space, and cultural amenities, would create greater long term value both for homeowners and for the development as a whole. Denise Gammon, Forest City’s head of housing, indicates that she and her colleagues worked to integrate housing with the neighborhood town centers planned at Stapleton, public and cultural amenities, the open space and park program, and with the existing Denver neighborhoods surrounding the airport (Gammon). Forest City worked to maintain the grid pattern of surrounding Denver streets and to extend them into Stapleton to create greater linkages. In addition, in accordance with the Green Book, the company aimed to create a wide range of housing options for various income groups and to mix the various housing types as much as possible. This stands in marked contrast to the practices of many suburban developers and homebuilders, who often arrange housing products to segregate by income and demographic profiles and, in classic Euclidian fashion, usually separate all housing from retail components.

Because Forest City aimed to create an unusual and somewhat cutting edge infill development following the Green Book principles, the company approached the selection of homebuilders for various parcels and lots within Stapleton very carefully. Gammon and her team spent over $100,000 on a design book for housing, which included detailed design standards and program specifications for the various residential products. Ms. Gammon notes that Stapleton’s strategic location, within a 15 minute drive of Downtown Denver employment centers and a short drive to DIA, combined with the prospect of a significant pipeline of residential lots, enticed scores of builders. In addition, the Denver residential market had exploded during the late 1990s as the area’s high-tech economy boomed, creating strong demand. The LoDo area and other neighborhoods in Denver’s core continued to attract young professionals seeking urban amenities and shorter commutes, and the opening of a huge infill
area in the city stimulated considerable homebuilder interest. In addition, of course, low interest rates and more lenient and flexible lending terms were continuing to drive the macro-level residential market in Colorado and across the nation. These market dynamics put Forest City in the driver’s seat in selecting partners for the residential component. Gammon’s team envisioned an eventual build-out of Stapleton’s residential component over 15 years, but realized the disposition of residential lots and control of development standards at the front end was crucial for success. It also believed that Stapleton’s sheer size and the complexities of the residential program meant that Forest City had to rethink the entire delivery process and the production line with regards to residential products, and that establishing strong partnerships with builders would dictate the project’s success.

Gammon’s residential team approached the selection of homebuilders very carefully. The company first conducted extensive market segmentation exercises for the various product types planned for Stapleton, including row homes, townhomes, and flats, as well as single-family homes. Gammon and her associates segmented the market and envisioned each selected builder at Stapleton concentrating on a particular segment. This arrangement provides a tradeoff to builders. Each particular builder must adhere to strict design guidelines and oversight from Forest City, but in exchange each builder controls the market for a particular segment. The market for row homes, for example, would become like a protected niche for a particular builder (Gammon). Forest City began with an initial list of 100 interested homebuilders and quickly pared the roster of candidates to 25 firms that then submitted more detailed design proposals to the developer. The short list of 25 included two to three candidates per segment, and each potential builder could only bid on the particular segment Forest City assigned to a given firm. The company arranged the solicitation process in this way to pair potential builders with their
areas of expertise, and to find the right “fit” of builders in particular segments. For example,
Forest City did not assign KB Homes, a company which focuses on mass production of starter
homes for the single-family market, to the luxury home segment. From the group of 25 builders,
Gammon chose builders for Stapleton by August 2001, and directed these firms to spend
considerable time developing design proposals for homes at Stapleton. The builders selected
were McStain Builders, John Laing Homes, New Town Builders, Wonderland Homes, KB
Home, and Trimark Communities (a division of DR Horton). Gammon indicated that these
seven builders “really embraced the Stapleton vision” (Johansen), and that some other national
homebuilders that were not chosen balked at the strict control of development by Forest City and
the stringent design guidelines.

An analysis of the seven chosen builders at Stapleton reveals that the firms brought
particular strengths to the venture that complemented the development program and Forest City’s
pitch to the market. The Green Book and Forest City’s marketing packages emphasize the
sustainable nature of the development, including significant open space dedications and inclusion
of “green building” practices. The company requires that all homes at Stapleton meet or exceed
the standards of the “Built Green Colorado” program. Louisville, Colorado-based McStain
Builders, which has constructed single-family, carriage homes, and row home products at
Stapleton, is a founding member of Built Green Colorado and one of the largest green builders
on the Front Range (McStain). The company also has experience in building at Lowry, the
nearby infill project about a mile to the south. For forty years, Lafayette, Colorado-based
Wonderland Homes has developed a track record of delivering residential products employing
higher design standards and neo-traditional architecture. The company is currently constructing
higher-density products in several neighborhoods around metro Denver, and the builder’s
commitment to the Build Green Colorado program makes the company a natural fit for Stapleton (Wonderland). New Town Builders, based in suburban Highlands Ranch, Colorado, has experience in developing New Urbanist communities along the Front Range, including Bradburn in Westminster and Coal Creek Village in Lafayette, and has constructed neo-traditional homes targeting various segments (New Town Builders). Trimark (a division of DR Horton), KB Home, and John Laing Homes are national builders based outside of Colorado, but worked carefully with Forest City to develop products for the Stapleton effort. In general, many of the national builders are now beginning to embrace infill development and creating building plans to fit these new market niches, especially in high-priced markets such as California. The inclusion of builders familiar and experienced in green building, sustainable design, and infill communities dovetailed with Stapleton’s overall marketing strategy and likely helped drive premiums as the residential program unfolded. The presence of several local builders with good reputations in the Denver market likely helped to enhance market acceptance of the Stapleton project in the metropolitan area.

Gammon indicates that enticing builders to pursue certain segments proved somewhat difficult. By nature, homebuilders as a whole tend to move toward the “middle” range of the market, which often translates into mid-priced homes targeting traditional single-family buyers. Stapleton had to work over time to keep builders occupying segments away from the middle from modifying their products to cater more to the middle segment. Allowing builders to muddle the distinctions between particular market segments might have resulted in oversaturated markets in certain segments and underserved markets for other segments. The “Village Cottage” segment represented the core segment at Stapleton, and in fact was sufficiently large enough to warrant assignment of four homebuilders to this market niche. Enticing builders to construct
higher-end residential products at an unproven infill location proved more difficult. The “edges” of the property, at the outskirts of the Stapleton property and located near older and more worn existing residential neighborhoods to the south and east, proved hard to populate as well. As a result, Forest City worked from the start to “prime the pump” for residential development, by beginning with construction and sale of the perceived highly marketable Manor segment of homes. The company began with construction of this segment, near the planned East 29th Avenue Town Center, a retail and mixed-use neighborhood shopping area near 29th and Quebec, in order to drive demand and subsequent interest in Stapleton, with the expectation that residential properties on the periphery of the property would then develop over time.

Forest City has been able to leverage Stapleton’s strategic infill location and the higher design standards it enforced in developing its residential program to drive impressive home sales over the first few years of operations. Because the neighborhood was an unproven market, as opposed to well-established areas of central Denver, the company intentionally set initial home prices lower than competing areas in order to drive sales and create a “critical mass” of residential activity at the airport. Existing homes in the Washington Park neighborhood sold for about $300 per SF the last few years, and homes in Park Hill for $250 per SF. Both neighborhoods are considered to be among the “up and coming” residential neighborhoods in the urban core beginning to attract larger numbers of young professionals and small families. Stapleton initially set its residential prices at a considerably lower $200 per SF. Over the last four to five years, as Stapleton has become a “hot” area for buyers looking for new product near Downtown, residential values at the airport have risen considerably. Today, existing Stapleton homes sell on the resale market at about the same price per SF as competing, much older, and desirable neighborhoods to the west.
Stapleton’s residential development has demonstrated an impressive absorption rate since the first residents moved in during the summer of 2002, and Forest City sees no limits to the current growth at the airport. Initial marketing studies anticipated an absorption rate of 500 units per year, and the company’s business plan called for absorption of 600 units annually. At the current time, however, Forest City is reporting an annual absorption of about 900 units annually, and projects absorption of between 800 and 900 residential units per year the next three to four years. By comparison, Celebration, Florida, one of the most famous large scale New Urbanist projects in the country, averaged absorption of about 300 units annually. Denise Gammon indicates that the company and its builders cannot deliver housing units to the market fast enough, and that if anything the company faces supply constraint problems because delivering homes rapidly can become a challenge (Gammon).

Although Stapleton has enjoyed tremendous residential absorption, Gammon indicates that the product mix and marketing strategy has changed somewhat over the last few years. The original menu of residential products leaned more toward single-family offerings, while still providing a wide range of housing options. Now, the project is moving toward providing more attached products. Forest City has found that many of its buyers are choosing Stapleton for its urban lifestyle and central location, and many of these “lifestyle buyers” tend toward buying attached products such as row homes or townhomes. Gammon indicates that the company must constantly revise its residential programs and housing offerings in order to keep the mix “fresh” with each new year. Changing the product mix creates more marketing buzz and excitement and prevents the development from falling behind changes in product preferences and demographics. The company spends considerable time strategizing over where products are placed, and what products to offer. Making a bad product call can greatly harm the development’s success. In
general, Forest City has tended to offer row homes and other attached products along major boulevards and roadways, and single family in the interior sections of neighborhoods. The company has strived to maintain a broad range of housing, priced from the $100,000s to over $1 million, and has dedicated part of the residential program to affordable housing.

Forest City believes that creating the Quebec Square retail development of primarily big-box retailers helped it launch its residential component successfully. Ms. Gammon indicates that the residential areas incurred very high overhead levels, including infrastructure costs that were nearly double that of a normal residential development in the metropolitan area. The significant property and sales taxes generated at Quebec Square allowed the city to issue $150 million in bonds for infrastructure construction, including facilities serving residential components of Stapleton.

Expanding Retail: East 29th Avenue Town Center and Northfield at Stapleton

Following up on the success of the Quebec Town Square retail development and its impetus in helping launch infrastructure for Stapleton’s initial residential efforts, Forest City launched East 29th Avenue, the first of several planned “town center” or neighborhood retail centers serving the residential population in the development. The project includes over 200,000 SF of retail, including a 58,000 SF King Soopers grocery store as anchor (Forest City (2)). As evidenced in the picture below, the town center includes retail on the first floor, and apartments on the second floors of buildings. The 29th Avenue retail area terminates on its east end at the 2.5 acre Founders’ Green park and open space.
The Town Center includes popular “quick casual” eateries such as Chipotle and Starbucks, as well as a variety of neighborhood shops and businesses. This part of the development also includes 34,000 SF of office space, which at this time primarily includes the executive offices for Forest City’s Denver operations.

In the past, developers have often shied away from mixed-use buildings, including those with retail on ground floors and residential in upper floors, citing concerns over the marketability of the residential units to prospective buyers or renters, and complications in constructing such buildings. Many skeptics have claimed, for example, that apartment renters accustomed to traditional apartment complexes would be unwilling to live above restaurants due to worries concerning noise and odors. Forest City indicates that it has faced very few problems in successfully delivering a truly mixed-use product at the 29th Avenue Center. Jim Chrisman indicates that the main challenges in constructing the town center involved fairly straightforward design and accounting issues. For example, the company had to work with contractors and architects to ensure that the heating and ventilation systems for the retail and residential...
components were sufficiently separated to avoid problems. It also designed apartments with walls that would sufficiently block noise from incompatible uses, such as restaurants or other retail uses. Accounting challenges involved allocating costs to the different components of the mixed-use buildings. Construction professionals usually use standard costs for apartments or offices, for example, in projecting budgets for projects. Standard costs simply do not exist for mixed-use buildings because of their particular idiosyncrasies. Chrisman and his team faced considerable difficulty in budgeting the overall cost of the 29th Avenue project to different product types. These cost accounting issues make it more difficult for Forest City to price the residential and retail products to generate sufficient margins. In essence, as evidenced by the Stapleton project and a myriad of New Urbanist projects emerging around the country, developers have been able to successfully deliver mixed-use buildings, but may face logistical and project management issues along the way.

Forest City officials indicated that the overall story of Stapleton’s development plan and the Green Book helped sell individual tenants on the 29th Avenue Town Center. The company had to demonstrate that a substantial residential base, including a wide range of incomes, was developing in order to entice certain tenants looking for particular market niches. Companies such as Borders, for example, were looking for residential growth at the site in order to justify investment. While the big-box retailers at the Quebec Square development were able to rely on the demographics and retail market power of the surrounding neighborhoods and the under-retailed condition of Northeast Denver, some of the more upscale retailers in the town center had to look more closely at demographics of incoming Stapleton residents, the quality of the development overall, and the residential growth ongoing. Robb Brown indicated that the “buzz” surrounding the unique project, including the substantial marketing Forest City launched
throughout Denver, helped justify the premiums in rents the company was charging retailers. He also indicated that national retailers, with substantial cash reserves, have more wherewithal to invest in a higher end yet unproven project such as Stapleton, as opposed to often more cash-strapped local merchants.
Forest City has plans to replicate the compact, mixed-use “town center” concept of East 29th Avenue in subsequent neighborhood retail areas in the eastern, undeveloped portions of Stapleton in coming years. Meanwhile, however, the company has moved forward with Northfield at Stapleton, a second “lifestyle center” of largely big-box retailers north and east of I-70 and Quebec Street. SuperTarget, Circuit City, and the rapidly expanding Bass Pro Shops have just recently opened at the development, and Harkins Theaters and Macy’s plan to open during 2006. Forest City describes Northfield as “a 1.2 million SF open air “power town”… with specialty shops, restaurants, and entertainment in a pedestrian-friendly setting.” (Forest City web site) The company’s promotional language clearly tries to leverage the sustainability and community design aspects of the larger Stapleton development to drive interest in Northfield as a “neighborhood center”. The company also touts Northfield as a destination shopping location serving all of the Greater Denver area.

Artists’ Rendering of Northfield retail center (courtesy Stapleton Denver web site)
Because Northfield is just now coming on line, little information is available concerning the performance of the center in the marketplace. The power center does, of course, represent another move by Forest City away from the neighborhood “town center” concept evidenced on East 29th Avenue, and a development play to capture retail dollars from larger footprints and a larger slice of the metro Denver market. Time will tell whether the lifestyle center nature of Northfield will help enhance the marketability of Stapleton as a unique infill community.

**Office Development at Stapleton**

Forest City’s development plan for Stapleton calls for a total of 10 million SF of office space over the next few decades. This includes space along I-70 for the new Denver Bio Science Center at Stapleton, the 5-story Town Square Building in vicinity of the East 29th Avenue Town Center, and the 12-story One Tower Center. The Bio Science Center includes 200 acres bordering I-70 offered to prospective users on a build-to-suit basis, and the Company’s University, Bioscience, and Technology Group offers design, development, and operation services to prospective bio science users. The aforementioned office suites on the second and third floors of the 29th Avenue Town Center include 34,000 SF of space and opened in November 2003. The facilities overlook the “Main Street” shopping area of Stapleton and cater directly to smaller users. In addition, the company has signed deals for an additional 65,000 SF of medical office space in two new buildings at Stapleton (Montgomery). Forest City plans 168,000 SF of space in the Town Square Building, which will overlook the Founders’ Green park at the East 29th Avenue Town Center. The One Tower Center will include 300,000 SF of high-rise space, and feature views of the Front Range and Downtown Denver.
To date, Forest City’s development of office and industrial space at Stapleton has lagged considerably behind the strength of the retail and residential components. Most of the larger office buildings remain on the drawing board, and the only substantive office leasing has occurred in the small office space within the East 29th Avenue Town Center, and with regard to 65,000 SF of medical office space. The overall weakness of the metro Denver office market since Forest City’s assumption of the project has tremendously impacted absorption. The area office market had grown a great deal during the 1990s, but activity declined dramatically with the fall of the region’s high-tech economy during the “dot-com bust” of 2001, just as the company began development at Stapleton. Employment levels in the metropolitan area remained flat during 2001 and decreased by around 40,000 people in 2002 and 20,000 in 2003 (Transwestern). Only in the last few years has the office market begun to recover along the Front Range, giving hope to Forest City’s office program. Vacancy rates in the Northeast/Aurora subsector of the office market peaked at 16.6 percent in 2003 and have fallen to 15.3 percent in 2004 and 14.6 percent as of December 2005. However, net absorption in all of metro Denver for 2005 totaled about 1.9 million SF, meaning that even if Stapleton were to capture a mere quarter of new absorption in a given year, Forest City will not fill its office program for over 20 years (ibid). While the significant size of the Stapleton parcels may be best suited to large tenants, Grubb and Ellis reported that office activity during the recovery of 2005 has largely involved smaller or mid-size tenants increasing their footprints in the Denver market (Grubb). Voter approval of significant public monies for completion of the $4.7 million FasTracks mass transit plan for metro Denver in the fall of 2004 (Hudson), which will include a major light rail line running from Downtown, along Stapleton’s northern edge on Smith Road, and on to DIA, could spark increased interest in office parcels at Stapleton as the entire Denver
market aggressively moves forward and embraces the transit-oriented development (“TOD”) idea. Developers have planned several TODs along other lines, including near the Denver Tech Center, and the presence of the light rail line at Stapleton could propel office growth in the future.

While Stapleton enjoys a good location in the metro area, nearby projects cloud its competitive position. Forest City will lead the redevelopment of the old Fitzsimons Medical Center property, adjacent to Stapleton to the east in Aurora, and plans three to four million additional SF of office space, primarily targeting biotech uses, at the property. Jim Chrisman indicates that Forest City will focus on marketing Fitzsimons to research and development (“R&D”) firms, and as a result target companies in the manufacturing and distribution arenas for the Stapleton areas. While the Fitzsimons project is a welcome development for Forest City, it further clouds and crowds the general office market along I-70 east of Downtown. In addition, Stapleton will face added competition in coming years from the development of HighPoint, an 1,800-acre mixed use community planned by Landmark Properties on the empty plains between I-70 and DIA east of Denver that promises 10 million SF of office and R&D space (Landmark). In addition, of course, Stapleton faces continued pressure for office tenants from the Denver Tech Center along I-25, several high-tech oriented office complexes along the Boulder Turnpike (US 36) in the Bloomfield area just northwest of Denver, and from office ventures in the resurgent Central Business District.

While Forest City remains committed to carrying out its plans for 10 million of office space development at the airport site, the lack of activity in this sector may impact other parts of the project in the future and force the company to change its initial development plan. For example, the lack of office growth is causing problems in planning for future neighborhood town
center mixed-use developments in other areas of Stapleton, to the east of the initial East 29th Avenue effort. Because the mixed-use efforts rely on retail on ground floors with office uses on higher levels, continued weakness in the office sector may delay plans for future neighborhood centers or lead Forest City to change the development plan to reduce office market exposure in these mixed-use buildings. While Forest City is retaining its original build-out projections, Steve Turner, Stapleton project manager for the City of Denver, wonders “how long can they hold? I mean, at some point if the market doesn’t come back in the next five to ten years, I would suspect that they would come to us and say they may need to do something else, maybe more residential.” (Montgomery) Moving significantly away from the office sector, of course, would diminish the original vision of Stapleton in the Green Book as a well-rounded development emphasizing economic development and employment opportunities for the city and its residents. Losing a large portion of the office component could reduce Stapleton to a very large residential and commercial infill parcel in the city and create less long term value for the city as an income and employment generator, as the plan promised.

While hindsight, as the saying goes, is always perfect, many observers have pointed to the aforementioned delays in launching the Stapleton project between 1995 and 2000 as a key source of Forest City’s current office development shortfall. While the city, the SDC, and other parties hammered out mechanisms to fund infrastructure at the airport, clean the property, and to select a master developer during that time, the Stapleton effort was missing out on one of the largest office market booms witnessed in modern Denver history. The net absorption of office properties in the metro area per year steadily increased from two million SF in 1997 to around six million SF in 2000, and office vacancy rates during this period ranged between 6 percent and 9 percent (Transwestern). Many critics, particularly those in the real estate development
community who were eager to land the Stapleton deal, complain that the city’s bureaucratic delays substantially harmed Stapleton’s office program over the long term. While Forest City now does have the basic framework of a high quality mixed-use infill project in place, with a substantial residential and commercial presence in place to serve potential employees and their companies, the firm is now playing catch-up in creating the office component at Stapleton.
Key Lessons / Takeaways from the Stapleton Redevelopment

The Stapleton redevelopment remains one of the largest infill projects in U.S. history, and certainly the largest reuse of a major airport in American history. Every stage of the project, from initial citizen planning efforts during the late 1980s and early 1990s to Forest City’s current efforts to continue retail and residential success while jumpstarting office and industrial development activity, has provided valuable lessons for urban planners, real estate developers, and other stakeholders considering other large-scale infill projects around the country. Many of the takeaways are lessons common to a wide variety of infill projects, while other lessons relate mainly to the unique issues faced by “mega-projects” such as Stapleton.

• The city involved the Denver community to a great extent in the formation of the Green Book early on in the development process. This helped create greater “buy-in” from community members in the vision of Stapleton Airport’s future use. By including fairly detailed site analyses and design attributes in the Green Book, the city avoided lengthy public approval processes for the project later on. Plans for Stapleton were on the books in the city’s comprehensive plans by the time officials began soliciting developer interest. Forest City, or any other developer, would have faced substantial entitlement risk had the Green Book not been in place. Stapleton represents a good example of how planners can work with stakeholders from various sectors, including business, neighborhood members, school officials, environmentalists, and others, to envision development for infill properties. Planners should look to the Green Book as an outstanding example of how to integrate a variety of community concerns into a successful planning document for later use.
While the Green Book exercise of the early 1990s was a good example of how to carry out initial efforts in moving infill development forward, the city and its partners stumbled between 1995 and 1999 in carrying out the Green Book vision. The Stapleton effort reveals that cities must avoid political quagmires in determining who has responsibility for various aspects of a given development. The SDC played the role of developer during this time, but did not have buy-in from all parties, and did not move efficiently in developing formal development agreements. Cities contemplating significant infill or reuse efforts should carefully set up parameters of responsibility for various agencies and partners upfront, before political squabbling wastes valuable time. During the mid to late 1990s, the Stapleton effort largely drifted in bureaucratic morass, and the city could have more quickly capitalized on the solid economy present during this time by moving more efficiently to move development forward.

Once Denver moved beyond its bureaucratic squabbles over how to proceed with the Green Book vision, it proved that strong leadership and choosing a good developer are key to infill efforts. Dick Anderson is a veteran of the Denver real estate scene and had the political gravitas and power in the community to end a great deal of the political wrangling and put procedures in place to move forward with development from the private sector. Selecting Forest City was a key step as well. The company had a solid track record of completing quality, New Urbanist infill projects elsewhere, and company officials worked very hard to demonstrate that it would follow the visions of the Green Book and work well with community officials and local residents. Denver’s experience
proves that a city should not choose developers lightly. While it is possible that another developer could have performed as well or better than Forest City has, the selection of the Ohio developer brought proven experience in mixed-use infill work to the table.

- For its part, Forest City’s efforts in assembling its team provide a good example to other infill developers. The company selected several veterans of other Denver infill efforts to lead Stapleton, as well as individuals who were familiar and involved with the Green Book planning. Hank Baker, the most prominent official at Forest City Stapleton, has years of experience from developing Irvine, California, and has worked to maintain strong relations with Denver constituents and the real estate community.

- Infill developments often involve creative public/private arrangements, and the development agreement and the TIF structure between Forest City and Denver provides a good example of such collaboration. The development provided a mechanism whereby Forest City could rationally move forward with the significant infrastructure involved at the airport while assuming risk for this effort. The TIF structure provided a way for Forest City to pay for infrastructure. Importantly, however, the agreement provided for the city to gain a greater share of the proceeds of retail development, in the form of taxes, over time. This move helped sell the TIF concept to various community constituencies.

- From Forest City’s perspective, the established development plan for Stapleton and the takedown schedule allowed it to move forward with the project. The Green Book provided a framework it could use to drive homebuilder and tenant interest and, of
course, simplified approval processes with the city for individual parts of the project.
The takedown schedule for land allowed Forest City to take on acreage as needed, on a
“just in time” basis. While the schedule provided for the developer to move forward with
Stapleton on a set schedule, it did not force the company to take on the entire parcel at
once. Forcing a developer to acquire the whole parcel at one time would have strained
the developer more financially and could have broken the deal. The land acquisition
structure of the Stapleton deal provides a solid example for other infill projects
nationwide.

- At Quebec Square, Forest City was able to produce the necessary tax revenues to drive
development elsewhere in the project. This provides an example of how other infill
developers may use retail or other uses to drive residential and infrastructure components
in their deals. From the standpoint of the city and critics of big-box retail, Quebec Square
provides several lessons. While many cities have established minimum parking ratios for
retail, for example, and have expressed a willingness to allow New Urbanist developers
to modify these codes, the strong market power of anchor tenants such as Wal-Mart and
their insistence on providing higher ratios for parking may mean that cities should
consider establishing maximum parking ratios for infill properties. Doing so may lead
developers to use space more efficiently and employ more creative urban design
techniques in infill areas in order to create higher quality urban developments. The city’s
requirement that Quebec Square develop on a grid pattern, to allow for later reuse or
redevelopment of the retail parcels, shows how cities can plan ahead for later
development and use various techniques to influence site planning requirements.
• Forest City’s experience at the East 29th Avenue Town Center proves that truly mixed-use retail centers can be viable in an infill environment. The company has successfully integrated retail, office, and residential components at the site, and has created a more walkable neighborhood for Stapleton residents, in keeping with the visions of the Green Book.

• Finally, the lackluster performance of Stapleton’s office component provides two key lessons for infill developers and planners. First, delays in moving forward with a project may come back to haunt infill efforts. While city officials and other stakeholders dithered over how to proceed with Stapleton during the late 1990s, they were missing one of the largest booms in the office market in Denver history. By the time Stapleton came on line, the office market had crashed. While the office sector may blossom in coming years at Stapleton, the community missed a valuable opportunity during the late 1990s. Secondly, Stapleton’s office track record demonstrates that infill projects may need to consider changes in development programs over time. If the office sector does not recover quickly during the next several years, Forest City may need to consider changing the office parcels to residential or commercial uses. This experience demonstrates that infill planners and developers must remain flexible with changing market dynamics.
Conclusion

While the Stapleton redevelopment effort encountered some rough patches along the way, it has largely provided a good example of how to carry out large infill redevelopments in major U.S. cities. The Green Book, in particular, demonstrates how planners can create good plans that can effectively guide future development and create successful projects. Denver’s relationship with Forest City shows how the public and private sector can work effectively to launch complicated brownfield projects. Forest City itself is an example of how development firms can have it both ways. The company has created a successful infill project that largely satisfies the local community, creates well-designed neighborhoods for the future, and creates substantial returns for the private sector. While Stapleton provides some examples of how infill projects can encounter problems, it today largely stands as a good example of how the Denver community has successfully rebuilt its urban core over the last decade. Along with the Lowry redevelopment, ventures in the Platte Valley and LoDo, and passage of the FasTracks transit plan and planned TODs throughout the region, Stapleton provides another example of how infill redevelopment has worked well in the “Queen City of the Plains”.
Works Cited


Baker, Hank (Forest City Stapleton). Telephone Interview, 17 November 2005.


Brown, Robb (Forest City Stapleton). Telephone Interview, 3 February 2006.

Chrisman, Jim (Forest City Stapleton). Telephone Interview, 26 January 2006.


Forest City (2). “Stapleton Announces Retail Tenants for its First Town Center.” Company Press Release, 6 May 2003.

Fost, Dan. “‘Star Wars’ Creator Sending His Troops to the Presidio.” San Francisco Chronicle, 12 May 2005.


Gammon, Denise (Forest City Stapleton). Telephone Interview, 27 January 2006.


Landmark Properties web site: http://www.landmarkpropertiesgroup.com/Projects.htm


New Town Builders web site. www.newtownbuilders.com


Wonderland Homes web site: www.wonderlandhomes.com

Appendix A: Denver Metro Area Map

(courtesy Stapleton Denver web site)
Appendix D: Quebec Square and East 29th Avenue Town Center Tenant Listings

(courtesy Stapleton Denver web site)