

ULI Case Studies

The Newton



VENUE PROJECTS LLC

Southern Rail's patio seating along Camelback Road.

PROJECT SUMMARY

The Newton is an 18,599-square-foot mixed-use retail, dining, office, and events building in Uptown Phoenix, Arizona, housing an independent bookstore with a beer, wine, and coffee bar; a home and garden store; a chef-led restaurant; a small office; and spaces for meetings and events. The Newton hosts hundreds of events each year, whether sponsored by its tenants or booked by the public. It was built within a renovated restaurant/banquet facility whose midcentury modern architecture and old-fashioned cuisine made it a local landmark for 40 years.

Introduction

Every Phoenix resident of a certain era knew about Beef Eaters, a renowned steakhouse that restaurateur Jay Newton opened in 1961 on Camelback Road, just a few blocks west of Central Avenue on the north side of the city. It was housed in a quintessential midcentury

modern rambler: its post-and-beam roofs spread in a sawtooth profile of low vaults, sitting atop exterior walls of local red adobe bricks. Inside, the restaurant embraced the era's love for kitsch with tartan carpet, oak-paneled walls, and British antiques, such as shields and suits of armor.

QUICK FACTS

Location

Phoenix, Arizona

Project type

Retail/entertainment

Site size

1.2 acres

Land uses

Retail, restaurant, event space, office

Keywords

Adaptive use, creative office, historic preservation, main street retail, pedestrian friendly, redevelopment, restaurants, transit-oriented development

Website

www.thenewtonphx.com

Project address

300 W. Camelback Road
Phoenix, Arizona 85013

Developer

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Owner

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Architect

John Douglas Architects
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Engineering

Caruso Turley Scott
Energy Systems Design
Keogh Engineering
Mahalo Construction

Construction

Venue Builders

Interiors

Studio K
Christoph Kaiser LLC
NM Interiors Group

Legal

Ben Patton

Interviewees

Lorenzo Perez, co-owner, Venue Projects
John Douglas, founder, John Douglas Architects

The already-spacious restaurant grew with its popularity over the years; successive additions eventually resulted in a maze of dozens of rooms spanning 17,800 square feet. Newton retired in 2001, at age 83, and first tried to give away ownership of the restaurant via an essay contest, before handing over the reins to his son. A year after Newton died in 2005, what he called “everything I ever dreamt of in a great restaurant” closed for good. Both Camelback Road and the two blocks across the street had been torn up for light-rail construction—and the market for steak with a side of shields had vanished.

Today, Jay Newton’s love of people gathering in bustling dining rooms to celebrate over fine food lives on below Beef Eaters’ famous sawtooth roof. The Newton is a homage to the warm hospitality that Jay Newton cultivated, but with a different program that suits a different era.

Site and Context

The Newton is located in Uptown Phoenix, less than five miles north of downtown and just off the intersection between two of Phoenix’s signature roads—Central Avenue and Camelback Road. Central Avenue is the north–south axis of the Phoenix street grid, dividing the city’s east and west sides and steering its early northward growth. As Phoenix’s population soared in the postwar years, Central Avenue became the city’s new focal point: Delbert Webb built the city’s first suburban shopping center at Central and Camelback, McDonald’s debuted its “golden arches” design, an array of avant-garde office high rises sprouted in Midtown, and pastel apartments with shimmering swimming pools wedged in between neighborhoods of humble prewar bungalows.

Camelback Road runs east–west across the north side of Phoenix, coming to prominence

The sawtooth roof, as viewed from Camelback Road.



The Commons during an informal event, with the windows to the First Draft bar open.

in the 1930s and 1940s as resorts sprang up around its namesake Camelback Mountain. The mile of Camelback spanning Central Avenue was nicknamed “Architects’ Row” in the 1960s, both for the many architects (including several protégés of Frank Lloyd Wright) who rented offices there and for the midcentury modern curiosities that they built in their midst.

Not long after Beef Eaters closed, California investor Tes Welborn bought the abandoned restaurant to complement the apartment complexes she owned just to its north. She had no immediate plans for the restaurant, but that hardly mattered amidst the bubble-era mania sweeping Phoenix at the time.

Interest and investment in Uptown Phoenix were reinvigorated following the 2008 opening of the Valley Metro light-rail line, which runs along

Central through midtown and then turns west onto Camelback in Uptown. The rail line overcame initial skepticism to become America’s 13th-busiest rail transit system, with many riders going to or from Arizona State University’s campuses in Tempe and downtown Phoenix. By 2009, Uptown was one of the first neighborhoods to show signs of life after a deep recession; a restaurant row emerged on Central in what had been a cluster of low-slung midcentury office buildings.

The Idea

Venue Projects’ principal Lorenzo Perez had grown up in the neighborhood, had attended high school a few blocks away, and had recently launched a retail development career with the Windsor, a restaurant on Central Avenue. In 2010, four years after Beef Eaters had been abandoned and in the depths of the downturn, city officials introduced Perez and his business partner Jon Kitchell to Welborn with the hope that someone could rescue the building. They agreed to meet with the owner, look around the property, and brainstorm a few ideas for it.

When the door creaked open, Perez and Kitchell gasped. “It was stopped in time: the tables still had linens on them, the Old English shields were still on the walls.” Welborn hired Perez and Kitchell as consultants to document the property’s condition through as-built drawings and engineering assessments, to facilitate community outreach meetings and draw up a vision board, and to serve as a local contact.



The mobile fixtures and open sight lines within Changing Hands' interior maximize its flexibility.



A porte-cochere adjoins Southern Rail's patio.

Right out of the gate, neighbors came forth to share their memories and stories about the building. It became clear that the site was, Perez says, “an ideal place to create something that said something about central Phoenix and its heritage. It had the potential to revive what Beef Eaters was: a community gathering space where people come together around food.” It was adjacent to a burgeoning restaurant district, was less than a quarter mile to two new light-rail stops, and the excitement expressed during outreach demonstrated its loyal following.

Yet there was also a lot wrong with the site. The dilapidated building's condition was worsening as its leaky roof failed, and as vandals, thieves, and squatters targeted vacant structures across foreclosure-racked Phoenix during the recession. Extensive demolition would be necessary to remove dozens of interior partitions and to let in natural light. It was located three blocks west of Central Avenue, a longstanding dividing line that separated it from the wealthier east side of town. It was also far too large, says Perez: “The sweet spot for restaurants today is around 2,500 or 3,500 square feet, but what do you do with the rest of the building?”

The answer that emerged from the outreach meetings was somewhat vague. People liked the idea of retail and other commercial uses, as well as informal spaces that invited gathering and lingering, but the off-the-beaten-path location could make those a tough sell. The idea was alluring, but Perez just could not see the project penciling out. So Welborn went back to market with the property, listing it at \$2.1 million.

A year later, Perez and Kitchell were giving a presentation about renovating an old 1940s retail building into the Windsor restaurant. In the

audience was Cindy Dach, one of the owners of Changing Hands bookstore, a local institution that had served the college town of Tempe since 1974. After the talk, she approached Perez and Kitchell with an idea: she liked their style and wanted them to help Changing Hands with their longtime search for a second location in central Phoenix. What they envisioned was about 5,000 square feet of retail space for books and gifts; a beer, wine, and coffee bar with light fare; a space for some of the more than 300 events the store hosts each year; and a location where they could share synergies with creative neighbors. Ideally, all of those features should be in an interesting old building on the light-rail line, so that customers from across the valley (including Tempe) could easily visit for events. Even more of a stretch: the bookstore, having been displaced from downtown to south Tempe by rising rents, wanted to have an ownership stake as well.

Not long after missing out on a site across from the city's central library in midtown, Kitchell had “an idea so contrarian that we fell in love with it: an iconic bookstore in the iconic Beef Eaters building.” Sure, it was west of Central, and “you had to get past the smell to see the possibilities,” but the bookstore was a perfect fit for the concept that Venue had envisioned. He went back to Welborn with an offer to purchase the Beef Eaters property and was able to negotiate a substantially reduced acquisition price.

The next step was to find a complementary restaurant anchor. Perez and Dach reached out to contacts in the local restaurant scene to ask which chefs might entertain the notion of expanding into Beef Eaters. During a tour of the space, chef Justin Beckett, his wife Michelle, and their business partners Scott and Katie Stephens

were noncommittal, but “you could see the reaction on their faces when they walked through,” says Perez. After a few meetings with Venue and Changing Hands to explore the idea further, Southern Rail restaurant soon signed on—and with both anchor tenants and co-owners in place, the Newton was off and running.

Development Team

Perez was first intrigued by the opportunities that development presented while studying architecture in college. He'd been working at a print shop and took an internship at one of its customers, Kitchell Contractors. Sam Kitchell founded that firm in 1950, and it grew to become one of the state's largest construction companies. One of Kitchell's largest clients was DMB, a developer of master-planned communities. While working with DMB, Perez realized that “the developer has ultimate creative control” over a project.

Perez tried other jobs within the industry, working in architecture, designing houses, and project-managing construction on custom residential and commercial projects as well as a huge stadium, knowing that multidisciplinary experience would benefit his career. A few years later, he came back to Kitchell during the boom to help start a division specializing in high-design custom homes and hospitality projects, together with Jon Kitchell, Sam's son. That division was soon doing \$65 million in business a year, fed by a roaring housing market, and Perez took on some personal investing in infill housing. “I was blessed, as young as I was, to be exposed to such unconventional and creative work . . . to learn that there's a tremendous opportunity to create value through design,” he says.

In 2006, Perez was working on a hotel redevelopment with Scott Lyon of Westroc Hospitality, whose firm runs boutique hotels. Perez remembers Lyon telling him, “You have too much talent to be working for guys like me.” Lyon called his father into the room—Rusty Lyon, who had developed most of metro Phoenix’s regional malls. The elder Lyon, a 40-year veteran of numerous market cycles, advised Perez that the local real estate market fundamentals had gone seriously wrong, and that the best time to start anew would be during the ensuing downturn. Then, opportunities to innovate would be abundant, and motivation would be high.

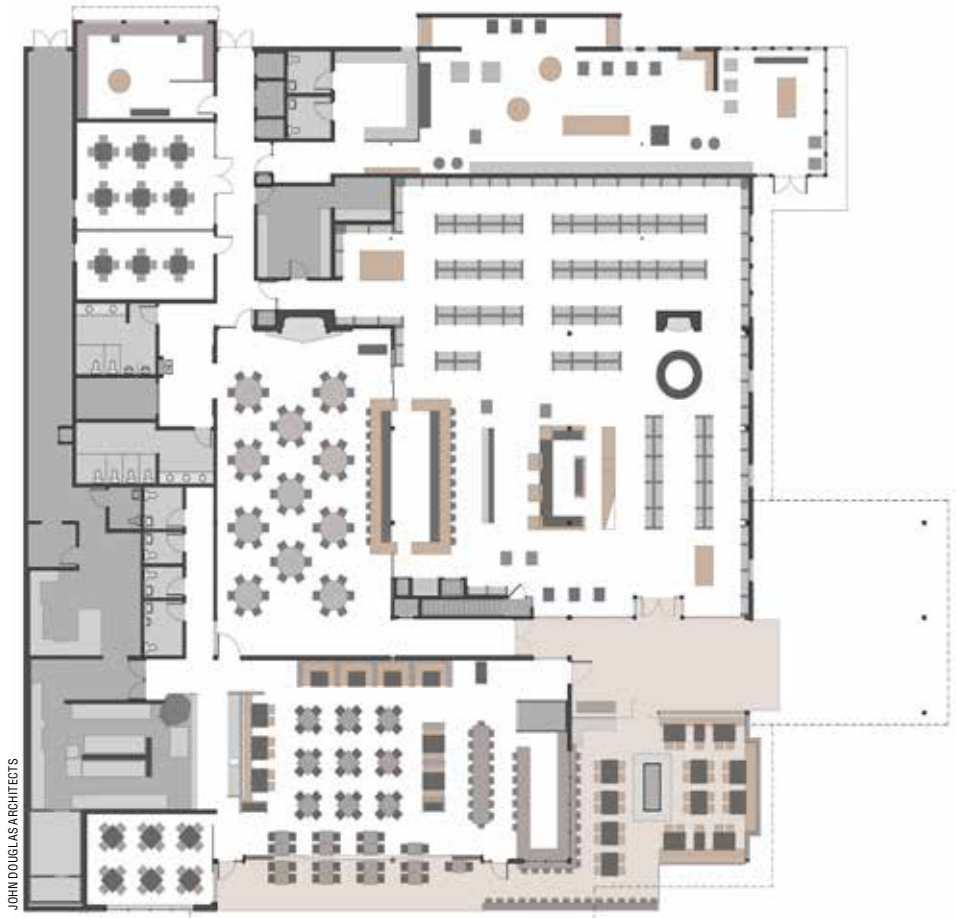
That conversation “stopped me in my tracks,” Perez says. Although he was hesitant to leave a steady job when he had two small children at home, he drew up a 30-page business plan for a firm that would “create, inspire, and serve” by creatively repositioning existing buildings. He shared the business plan with his close friend and colleague Jon Kitchell, who was incredibly enthusiastic about the idea and ultimately cofounded Venue Projects with Perez.

Sure enough, just as Perez and Jon Kitchell left Kitchell Custom Homes at the end of 2007, the Phoenix real estate market went into free fall. Perez and Kitchell spent much of 2008 meeting with bankers and investors to present their vision, seemingly for naught. Their first project was done entirely with equity from friends and family. Especially at that time, “the hardest deal you’ll ever do is your first one,” says Perez. “Once they can taste, touch, and feel what you’re getting at, it gets easier.”

“A lot of people will think you’re nuts,” says Perez, “but we were lucky to cross paths with somebody who bought in and listened.” That banker was Steve Curley of Alliance Community Bank, whom Perez remembers once calling to say, “My bank went under. I’m at a new bank—but I think you’re on to something, and I want to stay in touch.” Venue went on to close five transactions with Alliance in the following years.

Design and Construction

The Newton is an almost-square, 135- by 150-foot building on a 220- by 250-foot corner lot. Busy Camelback Road runs along its southern edge, and quieter North Third Avenue runs along its eastern edge. Beef Eaters had a narrow front yard along Camelback and a porte-cochere within a parking lot along Third. The parking lot extends along the alley on the north side of the building, and the building abuts the western lot line.



JOHN DOUGLAS ARCHITECTS

Ground-floor plan of the Newton. Southern Rail is along the lower edge, Changing Hands is at the middle right, the First Draft bar and Commons are at the center of the building, and Southwest Gardener is at the upper right.



VENUE PROJECTS LLC

Southern Rail incorporated booths from Beef Eaters.



The Beef Eaters logo was embossed into the entrance walkway.



Southern Rail's bar offers indoor and outdoor service.

Redesigning the building did not involve just slicing up a single-tenant structure into one that would house four. Rather, the goal of creating a gathering place meant fostering connections between tenants with different design priorities, between patrons of different businesses, and between the building and the outdoors—what Perez calls “a sense of constant discovery as you move through” the building. Architect John Douglas points out that the design came together “with tenants who were committed from the very beginning. Having lots of people involved was both the biggest challenge from an architectural standpoint and the best feature of the process. It gave personality to the whole development. . . . The building has multiple layers of meaning to many different people.”

The restaurant space along the front, facing Camelback, is mostly new construction within what had been the front yard. Adding onto the front makes the building's zigzag roofline more prominent from the street, while also helping improve the pedestrian-friendliness of what remains a wide, auto-dominated arterial. Putting the restaurant out front, says Perez, “screams ‘people gathering place’ to folks who are riding by on the train.” It also allowed for an efficient new kitchen to be built along the building's blank side wall, without having to untangle the web of utilities that underlay the far-too-large old kitchen. A covered patio with an outdoor fireplace and bar fills the building's front corner, where Beef Eaters once had an outdoor lounge; sidewalk tables (with umbrellas and a deep overhang for shade) fill a raised patio in the front. A reviewer for *Phoenix New Times* called the interior aesthetic “rustic-meets-Steampunk,” with steel accents and distressed wood combined with vintage elements from Beef Eaters like half-round black-leather booths and chandeliers. In one corner is a residentially scaled private dining room, located in what had been Jay Newton's front office.

The bookstore fills most of the space that had been the original dining room and bar; it is set back from the street but has most of the building's parking lot frontage. Its minimalist, open layout highlights a fireplace that was the centerpiece of one dining room and now anchors the children's section, offering a ready perch for story times. The bookstore's storage and receiving area is located in the building's interior, near the meeting rooms, and its office and beverage storage are within a former wine

cellar that was excavated into a full-height basement. (An earlier plan had specified a mezzanine instead, which proved costlier once the lost selling-floor space was considered.) Many of the store's fixtures were rescued from a shuttered Barnes & Noble, repainted, and mounted onto casters to maximize flexibility when accommodating events. Out front, under the old porte-cochere, the damaged Beef Eaters sign lives on as a mold set within the entrance walkway's concrete.

The Commons, the 1,885-square-foot former banquet hall, sits in the middle of the pinwheel. Its wide hearth and twin chandeliers were carried over from Beef Eaters and are now surrounded by skylights and glassy openings to both the bookstore and restaurant that connect it to the present. One entire wall is open to the rectangular First Draft Book Bar and can be closed off during events by lowering windows that span the entire opening. (The bar itself is made from redwood reclaimed from Beef Eaters' outdoor trellis.) The opposite corner has windows and a door that look into the restaurant's bustling kitchen. Between events, the room functions as a public lingering space adjoining the bookstore's bar.

Southwest Gardener, a garden and home boutique, lines most of the back wall, taking space that was part of the kitchen. It has a solarium-style entrance off the side parking lot that glimmers with brightly colored decorations. A glassy hallway leading back from the Commons accesses the two small meeting rooms and office.

The meeting rooms are 300 square feet and 575 square feet, and they are separated by a movable partition that can be opened to create an 80-seat proscenium theater ideal for author talks.

Perez refers to the gut rehabilitation process as "peeling the onion." Even though Venue's team had done as-built drawings and engineering feasibility in 2010, the old building continued to reveal new secrets, and designs were altered after demolition had wrapped up. Haphazard additions were especially surprising; demolition of a rear storage room uncovered three different parking slabs sitting beneath it. Ultimately, the building was stripped down to its frame, and the roof, which still smelled of cigarette smoke, was replaced. At one spot over the old kitchen, structural damage to the roof's trusses caused by a 1970s storm had simply been covered up. Exposing and repairing the roof also permitted skylights to be inserted at strategic points to brighten the cavernous interior.

Approval Process

The site is zoned C-2 Intermediate Commercial, with a transit-oriented overlay. The proposed uses fit within the existing zoning, with the minor exception of the outdoor dining. City officials, including the mayor and local council members, actively facilitated and shepherded the project since they saw how popular and transformational it could be. Perez had "a direct link to the mayor's office and a whole team that parted the seas for us."

One instance where that came in handy was when it came time to resurrect the Beef Eaters' monument sign, a landmark along Camelback Road that is easily as tall as the building. A sign inspector was holding up the process, and one call to the mayor's office was enough to defuse the situation.

Development Finance

Perez and Kitchell's vision of creating a community at the Newton extends even to its financing. Its tenants are not just sending rent checks, they also serve as coinvestors, codevelopers, co-managers, and community anchors.

The acquisition price for the building was substantially below the listing price, which had fallen from \$2.1 million to \$1.1 million. Venue's first offer in mid-2012 was for \$900,000 in cash, a price that required short-sale negotiations with a lender. That offer was accepted but fell through at the last minute, as the short-sale lender refused to extend the contract to accommodate continued negotiations with the restaurant. A few months later, after the restaurant deal was finalized, an even better purchase price of \$850,000 was negotiated and closed in early 2013.

The total development costs for the Newton came to \$3.5 million, which was financed with \$700,000 of equity and \$2.8 million of debt.

Equity. The Newton's anchor tenants were also its codevelopers and coinvestors. The project LLC has three classes of equity, with more-preferred classes having lower risk but higher



The renewed monument sign.



Changing Hands' subdued fixtures place visual emphasis on colorful merchandise, like children's books.



An old fireplace creates a focal point for Changing Hands' selection of toys and children's books.

par values. Venue Investments contributed \$200,000 for 40 percent of the equity. It is the managing member of the LLC and fully guarantees its debt. The individual owners of the bookstore and restaurant (but not the corporate entities) each contributed \$150,000 for 20 percent ownership stakes. They have limited management authority and limited liability. Douglas (the architect) and Kitchell's sister each contributed \$100,000, for 10 percent passive ownership stakes that have no exposure to a default.

Perez says that this arrangement "aligns your interests. It was a sign of commitment [to lenders] that they were all in with us—but other developers do question your sanity." Making tenants also co-owners does mean that "you need to be more balanced and empathetic" when negotiating leases, Perez says. The leases

have a base rent that ramps up over the first three years, plus a percentage of sales. The leases are arm's-length transactions with the tenants' corporate entities.

"I was on board the minute [Venue] brought it to my attention," says Douglas. "They asked if I would like to be a partner, and I said there's no way I'm not going to be partner, which was a first for me." His firm's offices are within a building that Venue reconstructed, and he had worked with the Kitchell company for decades.

Changing Hands' customers were so enthusiastic about its expansion that the bookstore ran a successful campaign on crowdfunding site Indiegogo to help raise funds for its buildout. The campaign raised \$90,000 in donations during the 2013 holiday season in exchange for items like T-shirts and tote bags.

Senior debt. Alliance Bank, a community bank, made a \$1.6 million first-lien construction loan on flexible terms: a three-year interest-only period and 20-year amortization, and no prepayment penalties. Venue had a good track record with Alliance, and the bank was "willing to do [this deal], but only up to a certain amount," says Perez. He'd have to go out to find a mezzanine loan before starting construction.

Junior debt. Like the first lease signed, the second mortgage came about serendipitously. Perez was speaking on a panel, and another panelist said that the Newton could be a poster child for the new investment fund she was launching. It turned out that the Local Initiatives Support Corporation (LISC) and Raza Development Fund (a community development financial institution affiliated with the National Council of La Raza) had just launched a \$20 million fund—since renewed with an additional \$30 million commitment in 2015—to provide gap financing for equitable-development projects in the Valley Metro light-rail corridor.

LISC has shown remarkable flexibility with its loan. A year in, the project was meeting its pro forma, but operating cash flow was still tight, so LISC offered to expand its initial credit. When the permanent financing fell short of fully taking out both mortgages, LISC still wanted to stay tied to the project and refinanced \$177,000 of its loan as a small second mortgage.

Additional outside investors made \$400,000 in debt and \$100,000 in equity investments to cover construction price escalation that had occurred while the project was going out for loans in 2013.

Management and Marketing

The property is managed by a committee comprising Venue Projects and the two anchor tenants. Venue manages the site's day-to-day operations, but the partners meet monthly to discuss strategy, programming, problems, social media and outreach, big decisions like refinancing, and anything else that might affect the community. "It's more hands-on than we expected," says Perez, but "they give us firsthand feedback on the challenges of how to operate this thing."

Event business. Even with frequent events booked by Changing Hands and Southwest Gardener, the gathering spaces—the Commons and two smaller meeting rooms—were still only partially booked. Event planners who toured the space told Perez that it filled a niche for smaller

groups (from 10 to 180 people) that would otherwise be relegated to uninviting hotel ballrooms. In-house events then became the fifth tenant at the Newton: Venue Projects hired a full-time events manager, who works on site, and the ownership group purchased furniture, audiovisual equipment, and acoustical upgrades. The space has attracted many literary-themed events, from university-sponsored author talks to a vintage typewriter “type off,” as well as off-site business meetings, a concert series, and community group and association meetings. Unexpectedly, the Newton has even proved popular as an unconventional venue for weddings, particularly remarriages and same-sex marriages.

First Draft can cater beverages and snacks, and the restaurant can cater meals—the smaller meeting rooms have doors directly into the kitchen’s back hallway. The event business is off to a strong start; Perez’s goal is to have it carry the cost of the common areas, so that the retail tenants are not underwriting the spaces via common area maintenance fees. Events have also become a marketing vehicle for the Newton and its tenants. “The more events we have, the more traffic we’re seeing,” Perez reports. “It’s an incredible vehicle for driving awareness and discovery.”

Leasing and Performance

Once the two anchor tenants had signed on, the question remained about what to do with a space in the back corner of the building. The then-new concept of coworking seemed a good fit; it could use the site’s common spaces during the day, and the location was near transit, restaurants, and existing offices and residences. A letter of intent was signed with a startup called Livelyhood, which then backed out because of family troubles.

A steady stream of commercial brokers had toured the space during construction, either out of sheer curiosity or in an attempt to drum up listing business, so Perez knew that interest existed even though “it breaks all the rules for retail.” Hearing that they might be looking for a new location, Perez called up a retailer he had courted in the past, Southwest Gardener.

“They were a little skeptical at first,” says Perez. “It was an interesting time for them—their current lease was up, and they were even thinking of shutting down. But they loved the partnership, a lot of their customers lived in the north central area, and most importantly, they do a ton



The two meeting rooms can be combined for events like author appearances.



Southwest Gardener sells a colorful array of home and garden items.

of events”—arts and crafts classes, gardening workshops, pop-up trunk shows, and plant sales. Moving to the Newton would bring their classes indoors and draw a complementary clientele.

One office tenant did end up within the Newton, though: Christofolo Schermer LLC, a pair of lawyers who started a strategy and leadership consulting firm. They came to love the project while advising Changing Hands, especially compared with their sublet in a nondescript office tower several blocks away, and so one meeting room in the back corner became their new office.

Although the project has met its internal financial goals, a problem arose when it came time to convert to permanent financing with a

life insurer: the appraisals came in lower than expected. Some of that was likely due to lingering stigma over the location west of Central; the comparable properties selected were lower-value retail centers in the suburban West Valley, rather than urban properties in the denser, more fashionable neighborhoods just a few blocks east. In addition, the rent escalation clauses did not flatter the early income statements. Even though locally owned retailers like those at the Newton may have established operating histories and loyal customer bases, appraisers do not view them as “credit tenants” and thus discount their value.

None of that materially hurt Venue Projects, which intends to hold the property and

still got favorable terms on a second loan with LISC. However, Perez sees the appraisal as indicative of a broader “disconnect between what society wants and what our finance system gives us. We were penalized for not doing just another armchair investment.”

“Community banks and independent businesses are more likely to stay with” a landlord, he continues, “since these people realize that they also have a lot to lose both financially and emotionally.” So-called credit tenants, on the other hand, can easily walk away and leave behind a dark box. Big banks, loan syndicators, and merchant builders have to work at such large volumes that they often cannot spend the time it takes to craft unique and thriving places.

Observations and Lessons Learned

Capture value. “Right when we purchased the Newton, Kitchell and I insisted that we also buy the vacant lot directly to the east,” remembers Douglas. “I was afraid we would create a wonderful environment, and then someone would build a check-cashing store right across from us.” Although the lot is currently used for overflow parking, it will eventually be incorporated into a broader district development plan.

Venue Projects followed up on the Newton by purchasing two open-gallery midcentury modern office buildings immediately west of the Newton. The office buildings are a chance to respond to a demonstrated demand for creative office space in the area. Offices’ usage patterns and demand for meeting and dining spaces would complement the existing uses. Additional food and beverage options and art uses are also planned, including murals and a gallery documenting the neighborhood’s midcentury modern heritage. The block also has a vintage hotel and numerous courtyard apartment buildings, which offer more opportunities for cross marketing.

Bringing the tenants into the deal as capital partners ensures that they benefit financially from the value of the place that they have helped create. It also gives them a stake in working hard to ensure that the place is successful.

Adjacencies matter. “We curate our tenants like art,” says Perez—especially in an era when retail is driven by events, experiences, and “third places” that can appeal across the demographic spectrum. He has been pleased to see the sheer variety of people and events that have been drawn to the Newton, from families



First Draft blends into the bookstore.

and retirees to singles and students. Adding more dining options in future phases will further improve those adjacencies, says Perez. Even within the Newton, two smaller restaurants with two complementary menus could have worked better than one large restaurant.

Alcohol service. The event spaces are part of First Draft’s alcohol-serving premises. At first, its liquor license was limited to beer and wine, which limited its appeal for some parties. By contrast, the restaurant has a full bar. Because the boundary between the two premises must be enforced, the door from the restaurant to the Commons is locked in the evenings. That division limits the flow and cross-pollination potential among the various businesses.

By contrast, Venue’s newest project has a single operator and a single liquor license, which allows patrons to move through the property more easily. An umbrella-license approach, though, brings potential concerns about liability spreading to other businesses.

Parking. Some of the larger events held at the Newton can draw audiences from far afield, easily filling the small onsite parking lot. The sight of a full parking lot deters customers from visiting during the event; even though the Commons might be full, the restaurant might be empty. To manage the situation, the Newton encourages event-goers to use transit when marketing on social media and brings in parking lot attendants during events to direct arriv-

ing cars to the parking lots across the street. (In addition to the overflow lot that Venue Projects owns across Third, the transit authority owns park-and-ride lots across Camelback.)

Expanding with complementary uses on the adjacent parcels not only will increase the parking field—especially during the evenings and on weekends that are prime times for the Newton—but also will make it easier and more attractive to walk or take transit to the Newton.

Adaptability. Creative urban retail projects often have a unique character, so “you have to live with them for a few years to truly understand how they operate,” says Perez. One key is to listen to new ideas and to be open to changing course: switching from office to retail, and switching from meeting to office, were changes that others suggested that ultimately paid off.

The Newton also shows that even cities as young as Phoenix have stories, buildings, and traditions to preserve, and these can, through effort and creativity, adapt to fit new needs.

PROJECT INFORMATION

Development timeline

	Month/year
Beef Eaters restaurant opened	1961
Beef Eaters closed	2006
Venue introduced to seller by city	May 2010
Venue hired as consultant to position asset for sale	2010
Property listed at \$2.1 million	2010
Venue presents on reuse at Pecha Kucha event	2011
Bookstore contacts Venue to explore joint venture	2011
Venue contacts owner with concept	2011
Negotiations on short sale of property	2012
Initial offer of \$900,000 made and withdrawn	2012
Second offer of \$850,000 made	2012
Acquisition closed	2013
Demolition and abatement permits issued	2013
\$400,000 bridge loan closed	2013
Engineering, bidding, value engineering, debt raised	2013
Construction loans closed	2013
Restaurant and bookstore opened	June 2014
Final tenants opened	October 2014

Retail information

Percentage of retail gross leasable area (GLA) occupied 100%

Key retail tenants	Retail type	GLA (sq ft)
Changing Hands/First Draft	Bookstore and bar	6,066
Southern Rail	Restaurant	5,379
The Commons	Meeting facility	2,784
Southwest Gardener	Garden and home	2,392

Gross building area (GBA)

Use	GBA (sq ft)
Office	311
Retail	13,837
Meeting/event space	2,784
Service area	1,667
Total GBA	18,599
Parking spaces	67 spaces

Office information

Office net rentable area (NRA)	311 sq ft
Percentage of NRA occupied	100%

Major office tenants	NRA (sq ft)
Christofolo Schermer LLC	311

Development cost information

	Amount
Site acquisition cost	\$850,000
Hard costs	\$2,220,354
Soft costs	\$192,250
Predevelopment costs	\$13,250
Finance costs	\$109,193
Developer fee	\$67,451
Contingency	\$60,752
Total development cost	\$3,513,250
Total development costs per sq ft	\$207

Financing sources

Debt capital sources	Amount
Senior lien (Alliance Bank)	\$1,612,500
Junior lien (LISC)	\$787,500
Private debt	\$400,000
Total debt capital	\$2,800,000
Equity capital sources	
Venue Investments LLC	\$200,000
Equity partner 1 (bookstore)	\$150,000
Equity partner 1 (restaurant)	\$150,000
Equity partner 1 (architect)	\$100,000
Equity partner 4 (friends and family)	\$100,000
Total equity capital	\$700,000



About the Urban Land Institute

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

Established in 1936, the Institute today has more than 39,000 members, representing the entire spectrum of land use and development disciplines. Professionals represented include developers, builders, property owners, investors, architects, planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, academics, and students.

ULI is committed to

- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs;
- Fostering collaboration within and beyond ULI's membership through mentoring, dialogue, and problem solving;
- Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development;
- Advancing land use policies and design practices that respect the uniqueness of both the built and natural environment;
- Sharing knowledge through education, applied research, publishing, and electronic media; and
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges.

Patrick L. Phillips, Global Chief Executive Officer

ULI CASE STUDIES

The ULI Case Studies program highlights and showcases innovative approaches and best practices in real estate and urban development. Each case study provides detailed information regarding the ideas, plans, process, performance, and lessons learned for the development project. Each also includes project facts, timelines, financial data, site plans, photos, location maps, and online videos. The new ULI Case Studies program is the revitalization of a program begun in 1971. For more information, visit the ULI Case Studies website at casesudies.uli.org.

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