



# From Navy town to urban chic

Norfolk looks to its waterfront and revives downtown  
with a mix of homes, retail and offices

by Elizabeth Cooper

The 22-story, mixed-use Wachovia Center will be the newest addition to downtown Norfolk's skyline.



LTD Management Co. needed a new corporate headquarters. It had outgrown its suburban office in Chesapeake, and Malay Thakkar and the firm's five other managing partners wanted a premium address — something that would reflect the success of the hotel development and management company.

During the past 25 years, family-owned LTD has developed 22 properties in Virginia and Maryland under such marquee names as Marriott and Hilton. With 10 more hotels under way, including two in Norfolk, the company continues to grow. In the works now is a possible deal to bring the Westin brand to a hotel that would be part of Norfolk's new convention center.

After scouting out a few sites, LTD decided to join the growing roster of companies, retailers and residents who are calling downtown Norfolk home. It plans to move into the \$170 million Wachovia Center after its opens in 2010 while maintaining the Chesapeake location as a regional office.

The 22-story office center and apartment/retail complex is going up on 4½ acres next to MacArthur Center, one of the region's popular shopping malls. The Wachovia project will be the first mixed-use development along Norfolk's light rail line, another new \$232 million project. By laying track in the heart of the city, Norfolk is gearing up to shuttle more than 11,000 passengers a day in and out of downtown when the line opens in two years.

"Downtown Norfolk is the center of business in the region, and we want to be part of that growth and renewal," says Thakkar. "The entire downtown has gone through such revitalization in the past 15 years. Moving into the future, we see more growth and a pro-business environment."

Indeed, Wachovia Center caps more than three decades of urban renewal. Long anchored by the bases of the U.S. Navy and its military dollars, Norfolk is a historic port city whose downtown — like many others across America — had lost its sheen by the 1970s. That's when shoppers and businesses began deserting old and frequently rundown urban corridors for the modern shopping centers of the 'burbs.

That doesn't hold true today. With 250,000 square feet of office space under

Rendering courtesy S.L. Nusbaum Realty Co.

construction, 50,000 square feet of retail, 160 luxury apartments and 1,900 parking spaces, the Wachovia Center was nearly 70 percent leased before the deal closed in April and construction began. Its addition to the skyline is expected to strengthen Norfolk's position as the region's dominant business center.

### Mall gamble paid off

Wachovia is the most recent example of a strategy that has impressed investors. "They did it right," says Steven J. Kieras, a senior vice president of development for Michigan-based Taubman Centers Inc. "They took all the uses they wanted and planned where it should go at the end of the day."

Taubman owns MacArthur Center, the mall just off Norfolk's waterfront, which has served as an anchor for new downtown development. According to a recent survey, the area attracted 765 new residents, 8,017 jobs and 271 businesses from 1996 to 2006.

Taubman took a chance on Norfolk. "We viewed downtown Norfolk as an unpolished gem," says Kieras. "It's centrally located in Hampton Roads in a market we believed was underserved by better retail and has terrific regional access."

Apparently, the gamble paid off. Today, people come to Norfolk to shop, work, live and play. Visitors come to board cruise ships bound for the Caribbean. Residents and visitors alike are drawn by the sweeping views of the Elizabeth River with its ever-changing landscape of pleasure and naval ships.

So it's little wonder that Norfolk's redevelopment began along the river. That's where real estate developer James W. Rouse designed a festival marketplace. Waterside opened in 1983 with a mix of specialty retail shops and restaurants. In cities such as Baltimore and Boston, festival marketplaces already had helped turn seedy downtowns into trendy attractions, and Norfolk was eager for similar results.

Since the 1980s, the marketplace has been reinvented several times and now caters to a nighttime crowd. At this juncture, Norfolk Mayor Paul D. Fraim says the city is trying to decide how best to position Waterside. "Everybody's looking for the next thing," he notes. "It's

MacArthur Center, an upscale regional shopping mall that opened in 1999, rejuvenated downtown retail.



Photo courtesy The Taubman Co.

doing fine but showing its age. It needs either reinvention or reinvestment."

### Cruise center attracts travelers

Still, there are plenty of other waterfront attractions: Town Point Park — site of many downtown festivals — Nauticus: the National Maritime Center and the USS Wisconsin. The city's newest water-side amenity, the \$36 million Half Moone Cruise and Celebration Center, opened last year and welcomed passengers headed to Bermuda, the Bahamas, Canada and New England.

This year, 106,000 passengers are expected to pass through Norfolk. "There's nothing more rewarding than to see hundreds of cruise passengers rolling their luggage getting ready to get on a cruise ship," says Stephen Kirkland, cruise operations and marketing manager. "Those cruise ships wouldn't be here if downtown hadn't come so far over the last 15 years."

As the waterfront district evolved, the city stepped back and began filling in the rest of downtown. Its success lies in balance, proximity and timing, asserts Roderick Woolard, Norfolk's Director of Development. For instance, Tidewater

Community College moved into renovated buildings on Granby Street to establish its Norfolk campus in 1997, followed by the development of the West Freemason residential community in January 1999 and the opening of MacArthur Center in March 1999. "As those things converged, it resulted in the creation of a tremendous amount of energy and vitality on Granby Street," recalls Woolard.

The 1.1 million-square-foot MacArthur Center brought high-end stores to the region and rejuvenated the retail sector. Naysayers predicted that Hampton Roads wouldn't be able to support the upscale venture, but city leaders were willing to take the risk. "We didn't exactly bet the ranch, but it was certainly something very close to it," recalls Fraim. The city invested approximately \$100 million into the \$300 million public-private partnership project.

Last year, MacArthur Center generated \$221 million in retail sales, up 11 percent over sales in 2006. Overall, the mall produced \$8.1 million in tax revenue for Norfolk, according to the city's commissioner of the revenue. The biggest portion of the revenue came from real estate and sales taxes. "MacArthur Center is the

**Trading on its waterfront has paid off big for Norfolk. Thousands of cruise passengers will pass through the new Half Moone Cruise and Celebration center this year, says Stephen Kirkland, cruise operations and marketing manager.**



Photo by Mark Rhodes

hub of downtown. Everything is built up around it," notes Kieras.

Utilizing public-private partnerships, Norfolk revitalized its core by developing a downtown plan first published in 1980 and updated every 10 years. The city currently operates under the 2010 plan which calls for several improvements: enhanced roadways, a parking system integrated with mixed-use development and a continuous waterfront pedestrian and bikeway system.

Construction also is under way on the 7.4-mile light rail line. Known as the Tide, it will run from Eastern Virginia Medical Center through downtown and along an existing Norfolk Southern rail corridor parallel to Interstate 264 to the Virginia Beach city line. "We've reached another stage in our development," says Fraim. "It's our goal to some day link the entire region, and we hope that downtown will be the hub."

### **Housing continues to grow**

Housing has become a major gambit in downtown development with approximately 3,700 residents calling the area home. Bill Candler, a senior editor at Dominion Enterprises, works three blocks from his condominium on Duke Street.

Candler moved to downtown Norfolk in 1999 after living in Virginia Beach for nearly 30 years and soon discovered that everything he needs is within walking distance of his home and workplace. In fact, he gave his car to his daughter and has no plans to buy a new one. "I can walk to the bank, the doctor, work, social events and around the waterfront for exercise," he says. "It's wonderful."

It's a far different scene from the one Candler encountered when he first moved to Hampton Roads. "Norfolk was as dead as a doornail," he recalls. "Now it's just hopping. It's been remarkable."

An energetic, 24-hour downtown can have drawbacks; namely concerns about parking, public safety and late-night garbage collection. "A 24-hour downtown is not the best idea in my mind. You have to surrender something," Fraim acknowledges. "People who move downtown look for a certain environment, but they also need to be able to sleep and feel safe and secure. At certain times of the night during the week we may have to turn lights off or the noise down."

One of the city's largest downtown residential projects ran into economic

trouble. Marathon Development began construction last year on Granby Tower, a 34-story, \$180.5 million mixed-use complex featuring 292 luxury condominiums, offices and shops. However, its financing dried up, and work stopped in early October. In March, Turner Construction Co., the building's general contractor, filed liens in Norfolk Circuit Court seeking more than \$16 million for previous work on the project. At least a half dozen equipment owners and subcontractors also have filed liens totaling nearly \$3 million against Granby Tower.

Last year, the city offered a \$22 million performance grant to the project's developer once the building is completed. That money would be repaid through the \$3.3 million in property and retail taxes Granby Tower would generate. Marathon officials say the project will get under way again. "We expect it to resume soon through private lenders," says Jason Dodd, vice president of marketing for Marathon Development. City officials also believe there is a market for Granby Tower. "We're confident something will develop there," asserts Fraim. "They just got caught up in an incredible financial crunch."

Other projects have fared better. After two decades in downtown Norfolk, Dominion Enterprises, formerly Trader Publishing Co., took a bigger stake in the area's redevelopment by moving into a new \$58 million, 20-story office tower on Granby Street last year. "We love downtown," says Clay Gill, senior vice president of strategy and business development. "We felt a sense of loyalty and want to participate in the renewal and continued growth of Norfolk."

### **Office vacancy rate declines**

In recent years, Norfolk's office vacancy rate declined to 6.1 percent, and the city worried about the prospect of businesses going elsewhere. That's why the Wachovia Center is expected to thrive even in the face of a credit crunch and possible recession. "Any company of any size that wants to move and expand can't do it because the space doesn't exist right now," says Tom Johnson, vice president of S.L. Nusbaum Realty Co., the developer of the center.

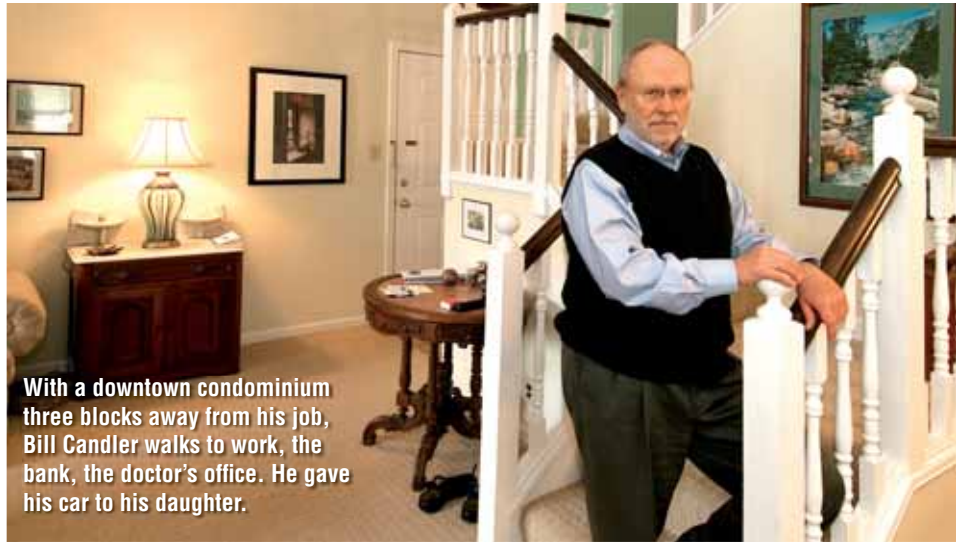
Combining retail, business and apartments in one complex will help companies

attract and retain employees who want to live and work downtown, says Johnson. "We think this is the best residential location in downtown Norfolk. It will be very accessible to young professionals who might not be able to afford a condominium."

So far tenants include S.L. Nusbaum Realty Co., the law firm of Willcox & Savage, Goodman and Co., Virginia's largest independent certified public accounting firm; and anchor tenant Wachovia Bank, which will move from its regional headquarters at the World Trade Center on West Main Street.

The city contributed 1.4 acres of land for the project and will build the \$53.4 million parking garages, which will be financed with parking fees. One group of city residents, which calls itself Norfolk Tea Party 2, says the city is spending too much money downtown and needs to put more dollars into roads, police and new schools.

Fraim agrees that a transportation network is critical. Earlier this year, highway funding plans for the region hit a major



With a downtown condominium three blocks away from his job, Bill Candler walks to work, the bank, the doctor's office. He gave his car to his daughter.

Photo by Mark Rhodes

snag when a state Supreme Court ruling invalidated the taxing powers of the newly created Hampton Roads Transportation Authority.

Fraim, however, is confident that Norfolk will continue to be the region's business, financial and cultural hub. Despite

the setbacks facing Granby Tower and the transportation authority, he holds fast to the city's vision for downtown. "We're building apartments, hotels, offices and retail space," he says. "We're continuing to create new dynamics." **VB**



Norfolk City Council (left to right) Donald L. Williams, Theresa W. Whibley, Paul R. Riddick, Daun S. Hester, Mayor Paul D. Fraim, Vice Mayor Anthony L. Burfoot, Barclay C. Winn, W.Randy Wright.