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Executive Q&A: Retail Partnerships That Build Community

Equity Residential vice president of development Drew Sullins shares his approach to retail leasing.

By [Kathleen Brown](#)



Courtesy Russell Abraham

Potrero 1010

To Chicago-based Equity Residential (EQR), retail partnerships are much more than a source of revenue—they're integral to building a sense of community at its developments.

Over the past year, the developer has introduced three contemporary apartment buildings to San Francisco's Design District, a former industrial area that's rapidly evolving into a tech hub. As of late November, EQR had opened or signed with 10 new retailers, mostly local dining favorites, within 10 months.

Many of the retailers are scheduled to open in 2018, to coincide with the opening of new Dropbox and Airbnb offices nearby, EQR says. In anticipation of the thousands of workers who will flock to the Design District in the coming year, EQR is actively cultivating "localism" and a distinct sense of community.

Vice president of development Drew Sullins recently talked with MFE about the challenges and rewards that signing local retailers entails.

MFE: How did you get local retailers and restaurants to join your recent San Francisco developments?

Sullins: 855 Brannan is the third of three contemporary apartment communities we've introduced to San Francisco's Design District neighborhood over the last year, including One Henry Adams and Potrero 1010, all of which include ground-level retail. For those not familiar, the Design District is located in the southern portion of SoMa, just west of Mission Bay and the new arena being built for the Golden State Warriors [NBA basketball team]. It's a former industrial area that had long been home to designer warehouses and showrooms but recently has become a hotbed for tech companies such as Airbnb, Adobe, and Dropbox, and similarly is quickly becoming an equally desirable enclave in which to live.

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When we began leasing at One Henry Adams and Potrero 1010, one of our first key decisions was to partner with a retail specialist who shared our ideal that to be truly successful, our properties should feature a mix that heavily features locally based businesses that would add to the flavor of the neighborhood.

One of the first businesses the specialist identified was The Grove café, which, at the time, was a local gathering spot in Hayes Valley that had grown to several equally popular locations around the city. Dubbed 'San Francisco's Living Room,' and with a terrific indoor/outdoor vibe, The Grove was the perfect fit for One Henry Adams, considering it's located in the heart of the neighborhood. Having opened this past summer, The Grove has quickly become the busy sidewalk café that helps make cities great.

How does this approach complement your goals for the neighborhood?

As a long-term developer, owner, and investor, Equity Residential's retail leasing goals may differ from [those of] others. Instead of looking at it strictly as another revenue stream and leasing to the first qualified companies that we contact, we see retail as an integral part of what makes a community a great place to live. As such, we choose to curate a mix of retailers that bring real value and uniqueness to the neighborhood.

What are some of the challenges involved in signing these types of businesses?

One of the more obvious challenges in working with local entrepreneurs and small businesses is that some don't have the financial strength or operating history traditional lenders and investors would typically approve. Further, many small businesses don't have the built-in brand awareness or customer base that a national or regional brand might bring in at the outset. Also challenging is finding those local entrepreneurs and restaurateurs that are looking for an additional outlet or a new location that will bring a unique value proposition to the neighborhood.

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How have you overcome these challenges?

Again, with EQR's long-term outlook and financial strength, our retail teams are given the flexibility to make deals that make the most long-term sense for our residents and the neighborhood at large. We believe it's far better to bring in a great local retailer early and allow them to grow over time, than it is to let a space sit empty or put in retail that doesn't fit. Also, partnering with a local retail specialist—in this case, Mike Semmelmeier of Main Street Property Services—was invaluable to uncovering local entrepreneurs that will bring extra flavor to the neighborhood.

Do you hope to fill the remaining retail spaces with local businesses as well?

While we do hope to fill a good portion of the remaining space with local businesses, it's equally important to bring value to or satisfy a need of the neighborhood, even if it means bringing in a high-quality national brand. As an example, our research showed there was a need for a premium coffee outlet, so we're bringing Peet's Coffee to 855 Brannan. While it's well-known nationally, Peet's was founded and is headquartered right here in Berkeley and has a terrific local following. And if research shows the area is in need of banking, we might bring in a Wells Fargo or Bank of the West. Again, if we can attract retail that brings value to the resident and surrounding community, with a bit of local flavor to boot, the long-term return more than justifies the extra effort to do what we feel is right.

ABOUT THE AUTHOR

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Kathleen Brown is an editorial intern for BUILDER and Multifamily Executive magazines.

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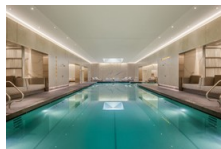
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