ROUSE MEETS THE MOUSE

When Entertainment Met Urban Development
In the fall of 1985, nearly a decade before the Urban Land Institute and International Council of Shopping Centers turned urban entertainment development symposiums into a small industry, The Walt Disney Company and Jim Rouse’s Enterprise Development Company formed a joint venture to define and develop a new genre of destination. Rouse’s small, entrepreneurial team worked with and across the vast Disney organization, including Walt Disney Imagineering, Disney Development (years later merged with Imagineering), Disney’s corporate Strategic Planning group, and the Walt Disney Parks & Resorts management team from Orlando.

Over the next 30 months, punctuated by a litany of the nearly requisite fits and restarts, various incarnations of the DisneyRouse joint venture researched, conceptualized and thoroughly planned three projects: first in Dallas, then in Chicago and finally in Burbank.

Each organization brought a legacy of placemaking to the venture. Indeed, Disney and Rouse were attracted to each other out of mutual respect for the great
Dallas: “Texposition” Yours, Mine, Ours

The first R&D effort of the DisneyRouse joint venture was driven by Imagineering and Rouse. Not Disney Development. Rouse claimed the retail entrance foreground. Imagineering controlled the fantasy background. The middle was literally the “high concept” common ground of collaboration.

Elevating Costs: Surrounded on all sides by the city, DisneyRouse projects faced significant additional costs. Unlike Disney’s traditional one-sided façades, all four exposures needed to be themed within the urban context, adding tremendous cost to a development form that generated much of its revenue from relatively thin landlord margins.
As with any relationship, each organization brought to the venture a set of pre-existing biases. Emanating from two distinctly different business paradigms (operating attractions on the part of Disney and developing retail on the part of Rouse), these later became “pre-marital” issues and prevented DisneyRouse from being able to pay for the high cost of entertainment placemaking in urban areas. Despite the best and the brightest strategic, creative, financial and operational talent assembled on the DisneyRouse team, and after an investment of two and a half years and millions of dollars, ultimately the engagement was called off, and none of the planned projects were consummated.

The primary obstacles faced by the DisneyRouse team were:

- The Cost of Theming The City
- The Cost of Reinventing Entertainment
- The Cost of Landlord Economics

**The Cost of Theming The City**
The costs of creating the types of places for which both Disney and Rouse were famous, proved to be a daunting task in the urban context. For Disney, moving into the city meant going bermless. In other words, theming all sides. For Rouse, expanding into entertainment raised fundamental urban design conflicts.

**Going Bermless**
Disney coming to Jim Rouse’s city meant that Disney was going bermless, sans the densely landscaped earthen curtain surrounding the backstage of each Disney park.

The extravagant attention to detail and remarkable façades that were characteristic of Disney parks were economically possible because guests primarily...
saw only one side of the building. The other three sides were nothing more than the simplest of industrial structures, never to be seen or even considered by the public. The berm served to cloak the blight of the backstage.

Neither the berm, nor the industrial structures could be part of an urban entertainment strategy; inside a living, breathing city which would literally surround the project. The cost of theming all four sides of structures was intolerable, and giving away such visual delight to passers-by made even less sense.

Urban Propriety

Today’s urban entertainment developments are adorned with much less expensive, iconic, billboard architecture. This was not a perceived option for DisneyRouse in the mid-1980s. (Ironically, the initial poster child for billboard architecture was produced by Disney’s archrival, Universal Studios, which developed the contextually correct “CityWalk,” in Los Angeles.) These over-the-top visual gags of billboard architecture are a kind of poor man’s theme; as sound-bite design tactics are deployed to induce intense, but short-lived reactions without the expensive and subtler richness of a more charming place.

In 1987 it was inconceivable, for example, that Jim Rouse’s cherished Baltimore Inner Harbor would in 1997 be adorned, Vegas-style, with a 60-foot neon guitar acting as a new, brand-age finale atop a stately brick power plant.

Billboard architecture was not in Jim Rouse’s scriptures. As the developer-saint and the chief sponsor of what can be considered the Architecture of Inclusion, he was not, at the end-game of his career, going to be a co-conspirator to turning away from the very fabric of the city he worked so hard to reintegrate with commercial enterprise: neither with the blankness of a berm nor with a hodge-podge of overstuffed design gimmicks.

These toxins to proper urban planning would be anathema to both Jim Rouse’s personal passion and his persona as a worldwide celebrity of “urban renewal,” a phrase he authored and a way of life he followed. What is now just another big sign, was then crass commercialism. Though the ultimate economic reality excluded thematic detail, pandering, “in your face” iconography was not a viable surrogate for creating a richly romantic place.
The Cost of Reinventing Entertainment

Another major obstacle faced by the DisneyRouse team was a perceived need to reinvent entertainment with new attractions techniques and retail development strategies. The two exclusive fraternities of over-achievers overshot the target by misunderstanding the dynamics of translating down theme park attractions to the commercial environment dominated by malls, and transforming developer driven retail merchandising up to the level of attractions.

The NASA of Fun

As linear stories told in three dimensions, attractions by definition, are literally hard-wired, passive experiences. (After all these years, it is still “a small world after all.”) One of the hallmarks of Disney’s theme park success is the attractions technology that provides the same quality of experience to millions of guests, year after year. Within the theme park product paradigm of a visit every few years, high quality sameness reigns supreme.

However, in the middle of a large urban area, with the goal to weave the nouveau destination into everyday lifestyles (as Baltimore’s Inner Harbor had achieved), consistent, passive attractions would grow all too familiar and stale too fast.

Disney’s Imagineers were aware of this conundrum. Their strategy was to rely on new technology attractions, like the revolutionary application of a flight simulator motion base in the Star Tours attraction, which was still in testing at the time.

Burbank: Beautiful Downtown Disney

In 1987, the third DisneyRouse product was undertaken as a true tripartite effort. Disney Development was minding the economic store, and putting pressure on the Rouse team for the leased retail component to contribute more to the overall economics of “Beautiful Downtown Disney,” a 40-acre site located on “The 5” in Disney’s corporate hometown of Burbank. The Rouse team was under the directive to propose hundreds of thousands of square feet of themed lifestyle retail zones, punctuated by an interactive center court of do-the-lifestyle entertainment. The logic was that if a little bit of leased retail did not support itself in the Disney entertainment context, maybe the scale of a themed mall would. The theory made sense as a higher concept retail development, but the conventional, ungated, tenant-based economic paradigm still did not pull its weight within the larger district of Disney entertainment.
Although these new attractions were to be software driven and, hence, more easily kept fresh, the experience was still too passive and predictable, and the technology still too expensive initially and operationally. The exponential compounding of this issue was Walt Disney Imagineering’s cost structure.

The original and still preeminent themed creative team that had matured to meet the challenges of Walt Disney World, had evolved into a “NASA of Fun.” The design process and engineering techniques that enabled EPCOT to be launched, were not easily brought down to earth. This naturally led to a debate about brand risk and what it would take to make good on consumers’ expectations of everything Disney. As the keepers of the pixie dust, Imagineering always won this debate when it was forced to be juried by Disney’s most senior executives. Moreover, with Michael Eisner’s mantra being brand synergy, it was never even contemplated to avoid the issue by deploying Disney’s placemaking and operational talent under a new, non-Disney branded moniker, as Disney was so successfully doing with the likes of Touchstone and Hollywood Pictures.

**Impresario Behind The Counter**

The Rouse team was just as eager to prove to Disney that they could deliver entertaining retail experiences at a level that far exceeded the merchant behind the counter at a Festival Marketplace. Though in many ways Jim Rouse’s reputation was larger than life, his most recent startup, Enterprise Development Company, was miniscule compared to Disney. For this Rouse company to have a joint venture with The Mouse was a big opportunity, both corporately and professionally.

Several quite promising strategies were developed revolving around using highly produced consumer expositions as a paradigm for delivering value added information and entertainment within the context of merchandising. The essence of these strategies can be thought of as Andrew Lloyd Webber does Home Shopping Network—live, or a Renaisance Festival for the L.L. Bean crowd. But like Disney, the Rouse team’s strategies to reinvent retail far exceeded the ability for the business to pay for it.
The Cost of Landlord Economics
The final obstacle to the development of a Disney-Rouse product was the fundamental risk/reward chasm between the economics of operating entertainment and managing real estate. Disney, the entertainment operator, funded its own projects, played the role of operator and benefited from all the rewards. Rouse, the landlord, developed a project with nonrecourse debt, leased space to tenants, and collected rent.

Operational Impotence
The Disney-Rouse business opportunity was economically impaired by Rouse’s comfort with the conventional landlord/tenant economic relationship. Jim Rouse had made a career, a company, and a fortune being a landlord. Like most developers, he had an intractable aversion to operating beyond the definition of creative asset management. Rouse’s financial calculus was based upon very high sales volumes per square foot, for which his projects were famous. Yet, the high sales were still framed by a 7% or 8% of gross sales rental rates. Even at high sales levels, these ratios only went so far, while the capital and operating costs always went further.

Disney’s comfort zone was in creating operating businesses, and its cost of capital was lower than the cost of market rate debt. Sharing merchandising margins, already burdened by the cost of goods sold (as compared to attractions), made less and less sense as the modeling matured. The new product’s funding was going to be 100% recourse to the shareholders of Disney, so why not earn an appropriate reward along with the risk?

Lastly, the operational impotence of the landlord in controlling tenants made it implausible that the theory of the highly produced merchandising would ever work in practice.

Threshold Gate Debate
There was an answer to many of these ills, but again, not one that fit the retail developer rulebook.

Theme park level gate charges were never thought to be appropriate for urban entertainment. However, Copenhagen’s quite urban Tivoli Gardens worked on the premise of a low threshold gate. It was the topic of much discussion. Both Walt Disney and Jim Rouse had been inspired by their respective visits to Tivoli, which charges a modest gate fee in exchange for the entertainment value of both its beautiful place and engaging street performances. Within its gates and between the mimes and minstrels were pay for play opportunities such as...
as concerts and a carnival, and more than twenty restaurant tenants. Indeed, Tivoli Gardens was a model of both owned & operated entertainment and tenant/landlord commercial activity.

In Disney’s world of entertainment, gate charges are both a method of pre-qualifying guests’ commitment to spending, and of rationing scarce entertainment capacity. Attendance by itself was not the goal; total revenue was. In fact, the fewer people it took to achieve a given level of total guest spending, the more efficient and profitable the entertainment destination.

Again in sharp contrast, Jim Rouse’s job as a retail developer was to deliver throngs of potential customers to his tenants. At this he was the best in the business, attracting millions to his famous Festival Marketplaces. Jim Rouse’s talent for creating high traffic developments was part of what had attracted Disney to the joint venture in the first place. In the context of his retail development acumen, it was uncomfortably counter intuitive for Jim Rouse to contemplate placing a financial barrier between potential shoppers and shops, even those within the provenance of a DisneyRouse entertainment destination. Though Tivoli was an intriguing model, the opportunities and issues of a threshold gate were left in perpetual debate.

The cost of not gating effectively estopped the high costs of theming in the city and reinventing entertainment. The collaborative capacity of Rouse’s marvelous talent for placemaking and Disney’s artful skills for entertaining was never manifested. The DisneyRouse joint venture glided to an amicable vanishing point in mid-1988, leaving behind a billion dollar opportunity and one unanswered question: How does urban entertainment pay for place, and not just for play?

Fifteen years later, this question is worth answering more today than ever, as the simple truth remains. Far beyond whiz-bang attractions or Broadway retail productions, people yearn for an enchanting place within which to escape and play.