Determining Opportunity and Risk in Urban Retail Development

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Community Center Management & Development
Bringing retailers, developers and municipal officials together to forge working relationships that will result in vibrant development projects.
Financial Vehicles
Used by TRC

- Short-Term Acquisition/Construction Debt
- Long-Term Permanent Debt
- Mezzanine Debt
- Equity
Risk of Urban Commercial Real Estate Investment

- Investors prefer top-tier markets
- More diverse and stable business

Example:

Cap Rates at Sale
Rate of Rent Increases
Steps to Determining Viability of Project

**Step One**
Evaluate the risk versus the expected return.

**Step Two**
Educate the parties involved, including the developer, retailer, equity investor, lender and public entity.
Case Study: Penn Mar Shopping Center

Steps to Financing Purchase, Redevelopment, Expansion and Leasing

• Incentives for developer to invest
• Creating environment viable for retailers
• Attracting financing
  • Real Estate Opportunity Funds - equity
  • Commercial bank - construction loan
  • Private investors - new equity
  • Permanent lender
  • Mezzanine lender
Case Study: Skyland

Skyland Shopping Center
New Development
Community & Government Support for Development

- Possible partnership with CDC
- Local government to purchase and/or declare condemnation of property within designated site
- Section 108 financing from HUD or TIF financing
- Land owned by public sector approved for sale to developer
- Mayor (personally) promoting project to retailers
- Government financed Social Compact Study showing sales leakage
Case Study:  
Skyland

Steps to Financing Development

• Incentive for developer to invest
• Creating environment viable for retailers
• Attracting team players
  • Equity investor
  • Construction lender
  • Permanent lender
ICSC Programs Educate and Promote Public-Private Partnerships

- Attracting Development
- Smart Growth
- Modernizing Older Centers
- Site Planning
- Development Strategies

School for Economic Development
The key to encouraging investment in urban commercial real estate is education. This must occur on three levels, among developers, the public sector and retailers.