

Brookings Institute  
July 22, 2003

---

# **Determining Opportunity and Risk in Urban Retail Development**

**Gary D. Rappaport, SCSM/SCMD/CLS**  
**President & CEO, The Rappaport Companies**  
**Past Chairman, International Council of**  
**Shopping Centers (May 2002-2003)**

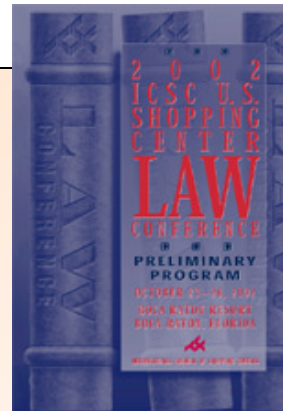
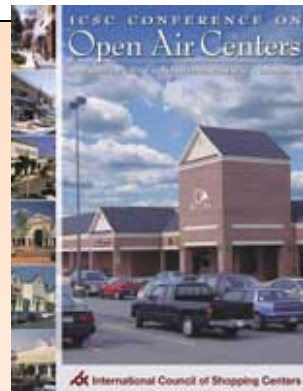
# Community Center Management & Development



# International Council of Shopping Centers



Bringing retailers, developers and municipal officials together to forge working relationships that will result in vibrant development projects.



IDEA Exchange

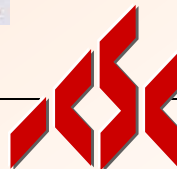
IDEA Exchange

IDEA Exchange

2002 ROCKY MOUNTAIN  
Idea Exchange  
PROGRAM  
ONE INTERLOCKEN ROAD, BROOMFIELD, CO  
MAY 1 - 4, 2002



INTERNATIONAL COUNCIL OF SHOPPING CENTERS



## 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.

# Penn Mar Shopping Center

---

New Construction / Renovation



Penn Mar Shopping Center  
"Before" Renovation



Penn Mar Shopping Center "After" Renovation with new Super\*Fresh  
Anchor

## Case Study: Penn Mar Shopping Center

## 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



# Skyland Shopping Center

## New Development

# Case Study:

# Skyland



## **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

## **Steps to Financing Development**

- Incentive for developer to invest
- Creating environment viable for retailers
- Attracting team players
  - Equity investor
  - Construction lender
  - Permanent lender

## Development in Underserved Retail Markets

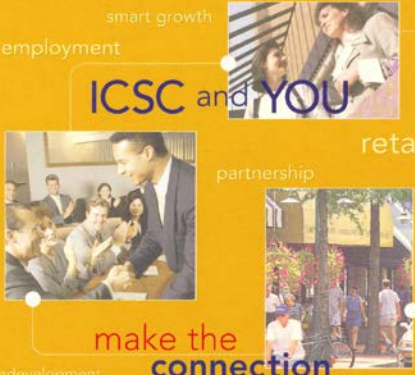
*A summary of a discussion of the challenges and recommendations for improving the process of retail development in underserved, urban markets.*

# ICSC Programs Educate and Promote Public-Private Partnerships

International Council of Shopping Centers

Co-written by  
International Council  
and  
Business for Social  
July 2002

smart growth  
employment  
ICSC and YOU  
retail  
partnership  
make the connection  
redevelopment  
economic development



progress through partnerships

## Alliance Program



## School for Economic Development

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



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.

