

DEVELOPMENT DIGEST

FROM RENDERING TO GRAND OPENING

A classic challenge

A little-known legal tool made possible the restoration of Columbia, S.C.'s historic Arcade Mall
By Ben Johnson

The Arcade Mall had fascinated developer Ron Swinson for years. The two-story, L-shaped edifice, which The Equitable Real Estate Co. built in 1912 as the first indoor mall in Columbia, S.C., about a block from the state capitol, housed a collection of local retailers on the ground floor and some offices at the top. In 1982, 70 years after going up, this grand Renaissance revival structure got listed on the National Register of Historic Places.

The Arcade Mall sat opposite an

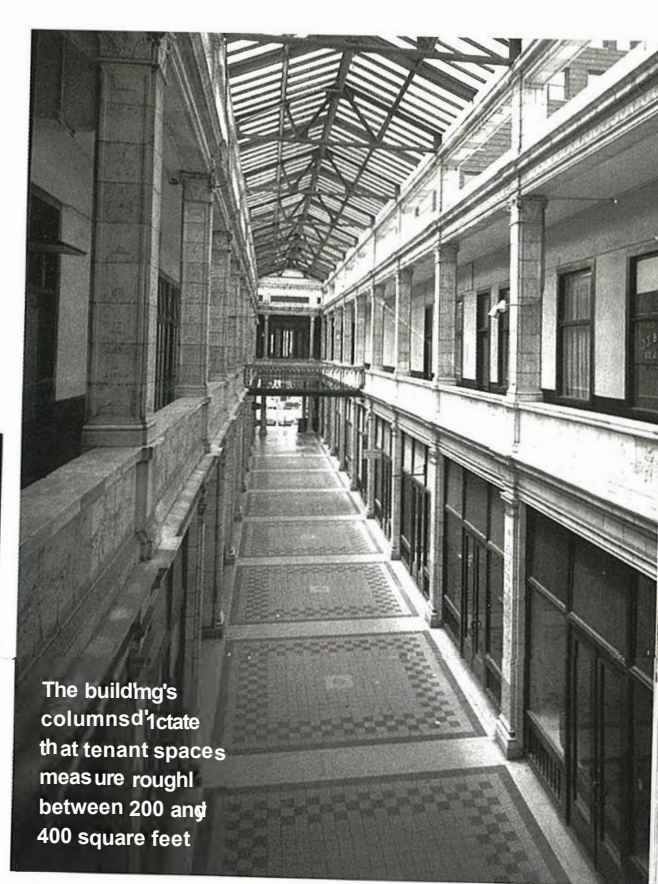
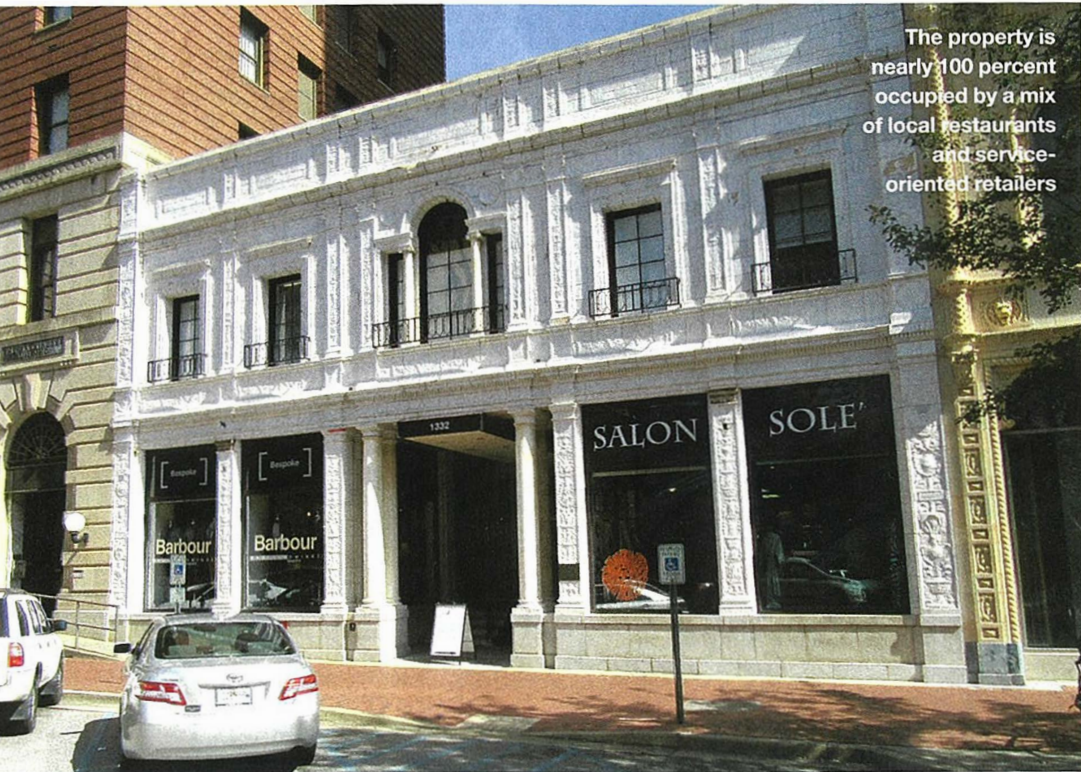
office building that Swinson, president of Columbia-based Peach Properties, had already renovated. Now he longed to buy this mall property that he could see had fallen into some disrepair but which he knew he could do justice to if only given the chance. "I just thought it was a beautiful building, and it was sort of falling down, and I felt like it would be an interesting and fun project to take on," Swinson recalled. "The word 'iconic' is overused a lot these days, but, truly, in Columbia

this is an iconic, historic structure.' Swinson's problem was that he was unable to devise any redevelopment plan that would work economically. As it turned out, the key to realizing his plans and his dream was a little-known legal concept called a lost-development easement, through which a developer may draw up plans for a specified property by means of a market-ready, profitable project of the developer's own to replace the original, with tax benefits then determined according to the value of the potential project. Cleveland-based GBX Group, a specialist in revitalizing historic buildings, collaborated with Swinson on this process. "I had done a few historic properties in the past, but nothing like this," Swinson said. "Over the course of the next several weeks,

we learned a lot about conservation and lost-development easements, and the value that that created is truly what made the deal happen."

The easement is in the hands of Historic Columbia, a local organization that oversees many of the city's historic properties. The project is nearly 100 percent leased now. "The vacancy at the time we purchased it was probably around 50 percent, and most of those folks were barely paying enough rent to cover the expenses of having them occupy," said Brad Shell, an associate with Peach

The property is nearly 100 percent occupied by a mix of local restaurants and service-oriented retailers



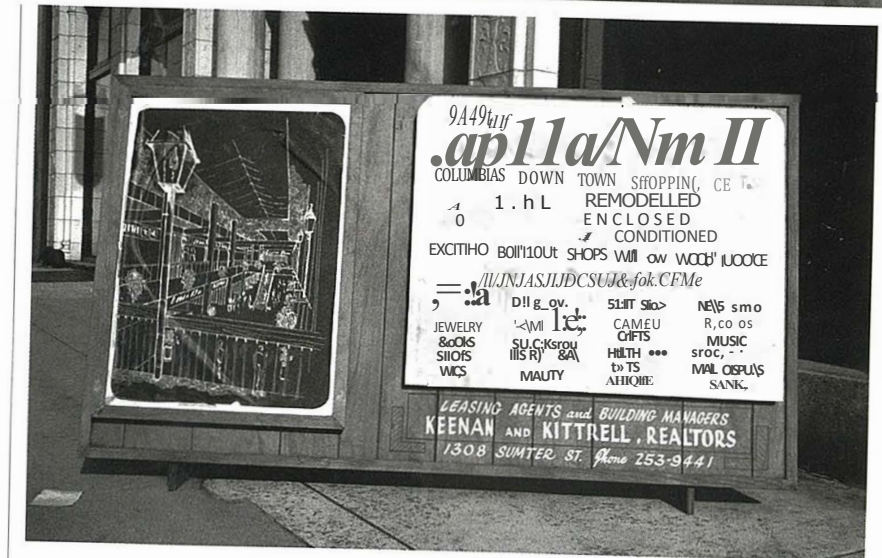
The building's columns dictate that tenant spaces measure roughly between 200 and 400 square feet

TIMELINE

- 1912** Equitable Real Estate builds The Arcade Mall
- 1972-1977** Columbia Down Under, a collection of underground shops, bars and restaurants operates in the basement
- 1982** The Arcade Mall gets placed on the National Register of Historic Places
- 2015** Peach Properties purchases the property and begins renovations
- December 2018** The Arcade Mall celebrates its grand reopening

Properties. Today the retail space comprises a collection of local establishments, including restaurants and service-oriented retailers paying above-market rents. The building itself was constructed to accommodate tenants measuring roughly between 200 and 400 square feet each, as dictated by the spacing of the building's columns.

Swinson notes that he began his retail leasing program at rents comparable to other downtown rates, but finding that demand was higher than expected, he was able to charge



more per square foot as a result. Before the purchase and renovation, some tenants were paying gross rates in the low single digits per square foot, utilities included. Now all the retail tenants are on triple-net leases at a significantly higher rate per square foot, with some of the heavier-utility-users also covering their own utilities, the company says.

The very next challenge is to redevelop the basement, which once housed Columbia Down Under, a collection of nightclubs and bars in the 1970s that eventually fell on

hard times. "The fire code has changed, and we have got to be very creative about how we get this developed to make sure we comply with the code," said Swinson.

Going forward, the Arcade will probably continue to be something of a work in progress, Swinson muses. "There is always going to be something to do to improve the building and try to find a creative solution to our downstairs developability, he said. "We will just continue to try making sure that we preserve it properly." ■