

# Shopping Centers Today

INTERNATIONAL COUNCIL OF SHOPPING CENTERS

July 1995

## ENVIRONMENTAL SOLUTIONS

# Distressed strip becomes a real gem

By Heidi Gralla

HUNTSVILLE, Ala. — There are plenty of developers trying to capitalize on turnaround opportunities by buying up weak centers and improving them. But not too many of those developers would have wanted anything to do with Huntsville West Plaza.

A 24-year-old outdated strip center, Huntsville West Plaza was loaded with asbestos — in the floor tiles, in the ceiling tiles and in the insulation. It also had contaminated oil in a transformer. Not exactly a gem to most developers.

But The Brookhill Group, a New York-based shopping center operator whose specialties include environmentally distressed centers, saw Huntsville West Plaza as a great find. Through a special fund it has, the company snapped up the 178,400-square-foot center in 1989 for roughly \$4.5 million. Next began the arduous task of addressing an environmental liability while tackling leasing and marketing problems that also plagued the center.

Today the center is fully leased, has an updated look and is environmentally sound. Its annual cash flow is about \$1.3 million, a 273% increase since it was acquired. In addition, Brookhill's success in eliminating asbestos contamination and revitalizing the site attracted the attention of The Discovery Channel, which chronicled the \$3 million turnaround project in a four-minute segment this spring.

Huntsville West Plaza did have some strengths when it was acquired, said Ronald B. Bruder, president of Brookhill, which manages the center.

Anchored by a Winn-Dixie supermarket and a discount department store, the center was well-located on the more upscale side of town, fronting the city's major east-west road and next to a north-south intersection. Huntsville is a home to the NASA Space Museum and numerous defense contractors and other high-tech companies. It has a sophisticated and varied workforce with an average household income of \$38,000 a year, above average for the area, according to Brookhill.

Brookhill acquired Huntsville West Plaza from an out-of-state owner that had no interest in investing in improvements, Mr. Bruder said. Other potential buyers were likely to have been deterred by the asbestos, he added.

"If it was just a regular turnaround, it would have been gone long before we got to

it," Mr. Bruder said. "It was too well-located for someone not to snap it up."

The acquisition was made through Brookhill's Environmental Fund, a special fund created for investors who want to buy low-priced environmentally distressed projects, in hopes of cleaning them up and making a profit. (SCT, February 1994.)

Before buying the Huntsville project, Brookhill hired several consultants and engineers to determine the cost of the asbestos cleanup so it could be accurately factored into an acquisition plan, said Charles Kramer, Brookhill's executive vice president. That



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cleanup became the company's first priority after it took over the center, because little else could proceed until the project had a clean bill of health, he said. "Nobody wanted to have anything to do with it [in that condition] especially the tenants," Mr. Kramer said.

It took nine months to a year and "substantial" capital to address the asbestos contamination, Mr. Kramer recalled. The contaminated insulation was removed, and the asbestos in the floor and ceiling tiles was extracted in some areas and encapsulated in others, as has become the common practice in these types of projects. Contaminated oil in a transformer was flushed out and replaced with an environmentally friendly substitute.

Ironically, the asbestos and oil cleanup, which were necessary for the rehab effort to proceed, actually turned out to be one of the easier parts of the project.

Just months after Brookhill's 1989 acquisition of the center, one of the anchors — Hills Department Store — closed its 100,000-foot-store there as part of its Chapter 11 bankruptcy filing. To replace Hills, Brookhill pursued Phar-Mor and was two days away from completing a deal with the then up-and-coming drug chain, when allegations surfaced of massive fraud at the retailer's home office, Mr. Bruder said. After that deal fell through, Woolco, which had subleased the space to

Hills, decided to retain the long-term low-rent lease it had and try to make a profit off a new sublessee.

But Woolco had trouble finding one user for the whole space and was reluctant to invest in subdividing it, so the store remained dark for several years. Woolco sold the lease to Brookhill last year.

By dividing and upgrading the Hills space, Brookhill was able to sign four new tenants: Michael's Craft Store (21,200 square feet), Hibbett Sporting Goods (25,440 square feet), Big 'B' drugstore (25,440 square feet), and Campo Electronics, Appliances and Comput-

ers (31,081 square feet). Those deals resulted in a 72% increase over what Woolco was paying in rent.

The center's other anchor, a 25,600-square-foot Winn-Dixie, didn't last either. Its lease, at \$3.35 per square foot, was slated to expire in 1996, and the company had taken a new location nearby. Brookhill bought out the lease in June 1989, and by October had signed Office Depot to take the space at \$8.25 a foot.

Other tenants were replaced as well. An outparcel that housed a medical clinic now is home to a Sherwin Williams paint store. A budget movie theater was replaced with an Old Country Buffet restaurant.

In 1990, Brookhill persuaded the city to pay for and install a traffic light at the entrance of the center so customers wouldn't have to make a "kamikaze" turn across four lanes of traffic to enter and exit the property, Mr. Bruder said.

The finishing touch began this spring when the center was expanded by 35,000 square feet to its present size of 214,016 square feet. That made room for a Goody's Family Clothing store, which is opening in September.

"We've now maxed out every inch we've got," Mr. Bruder said. "We had to reconfigure the parking lot just to fit in what we have." ■