

LEADING THE WAY THROUGH THE 21ST CENTURY

SHOPPING CENTER BUSINESS™

Working With The BOS

BOS Group is teaming up with developers to create retail projects.

Randall Shearin

Finding development opportunities these days takes an entrepreneurial attitude. When Mark Lichtman and Philip Kroskin were with The Mills Corporation, they saw a number of good opportunities for smaller centers. Since The Mills wasn't in the lifestyle development game, there was nothing that they could do. Several deals caught Lichtman's attention and wouldn't let go. He left Mills and began to pursue development through a series of joint ventures. When the opportunity came along to be the master developer for the downtown waterfront in Buffalo, New York, a year and a half later, Kroskin left Mills as well and the two formed BOS Group in 2001. In short order, a

number of other large deals have followed and today, the company has several new centers in growing markets on the drawing board.

Shopping Center Business recently met with Lichtman and Kroskin at the magazine's offices in Atlanta to discuss its new developments and its company operations.

Headquartered in Bethesda, Maryland, BOS Group has had success with many projects in recent years. BOS is somewhat of a merchant developer — it co-develops projects and sometimes sells its position mid-development to a larger developer or owner. Such was the case with one of the first projects that the company developed in Birmingham, Alabama. There, the compa-

ny developed a Bass Pro Shops-anchored 350,000-square-foot lifestyle center called Cahaba Ridge (it has since sold its interest in the project).

"We recognized that there was a niche that wasn't being met by Mills because they weren't in the business of building smaller centers," says Kroskin. "They left a lot of wonderful opportunities because they were too small or they didn't meet their investment parameters."

Lichtman and Kroskin's idea was to develop lifestyle-oriented projects that contained some entertainment uses in secondary and tertiary markets. A few years ago, it was a novel idea, but today, BOS faces plenty of competition when it goes to develop centers. For

instance, in growing Rogers, Arkansas, where it is developing a lifestyle center and a power center, both General Growth and RED Development also have plans to develop centers.

“Our philosophy is being affirmed by the enormous amount of interest we see in the secondary and tertiary markets,” says Kroskin.

To find markets, BOS does a lot of research on regions that are underserved by retail and have great growth parameters. Once it finds those areas, it targets sites with good access and visibility to the entire trade area. Next, it goes into the community and begins working on creating relationships with local developers, community leaders and brokers that help lead it to opportunities.

That’s how BOS found the growing market in northwest Arkansas. The northwest Arkansas MSA was the sixth fastest growing MSA in the country according to the 2000 Census and is projected to exhibit similar growth over the next decade. This growth in large part is due to Wal-Mart’s headquarters being located in Bentonville.

About 600 of the retailer’s suppliers have located regional offices in northwest Arkansas. With the new offices come executives and other workers moving into the area to serve the world’s largest retailer, as well as the other businesses in the region.

“There has been an large influx of high-paid white collar workers — and they have nowhere to shop. It is an area where \$300,000 to \$400,000 buys a 3,700-square-foot house on a large lot,” says Lichtman.

BOS has landed a site in the city of Rogers, where it plans to develop a lifestyle center and a power center called Pleasant Crossing. The company has control of a 350-acre parcel that has a mile and a half of frontage on Interstate 540. Access is provided via a diamond interchange off of I-540 directly into the site. They have completed the first phase of road and infrastructure improvements and a Wal-Mart Supercenter has announced a spring 2005 opening on a 24-acre out-parcel. The tenant mix that BOS has planned for its lifestyle center will include national retailers as well as re-



An aerial shot of the site for Pleasant Crossing in Rogers, Arkansas.

gional and local tenants in order to provide a dynamic retail experience that fits the market. A large component of this 250,000-square-foot lifestyle center will include restaurants and entertainment options not currently found in the region. There is also an adjacent 73-acre site that is being marketed to power center tenants and developed to complement the entire project. In subsequent phases, BOS Group plans to incorporate both multifamily and live-work units with a residential partner.

BOS is also investigating other projects in the northwest Arkansas market.

“We really believe in this market; it has some long-term prospects and we want to spend a lot of time there,” says Kroskin.

In downtown Nashville, Tennessee, BOS has partnered with Transwestern Commercial and MarketStreet Equities to develop The Gulch, a retail and entertainment district that will bridge the gap between downtown, Music Row and Vanderbilt University. Land for the urban project has already been assembled, and a number of buildings are under construction. The Gulch is designed as a 24-hour destination that will provide culture, entertainment, dining and shopping. It will also boost the residential development that is already happening in the area. Local developers Armistead-Barkley and Nashville Urban Ventures, have already developed a new office building as well as a 32-unit loft apartment project that sits above 65,000 square feet of retail.

The 250,000 square feet of retail that BOS and Transwestern plan to



Cahaba Ridge, Birmingham, Alabama.



Philip Kroskin.

develop in Phase I will have national and local retailers and a number of restaurants in an urban setting. A major multi-screen theater is also planned for the project. Though it is an urban site, The Gulch has been designed to have a number of garages, as well as surface and street parking.

“It is truly an undeveloped island in the center of Nashville,” says Lichtman. “It is going to tie together all of those individual personality components of the city.”

Lichtman and Kroskin believe that the days are gone for a single developer to be able to develop a large proj-

ect on its own. It has partners in every deal that it does.

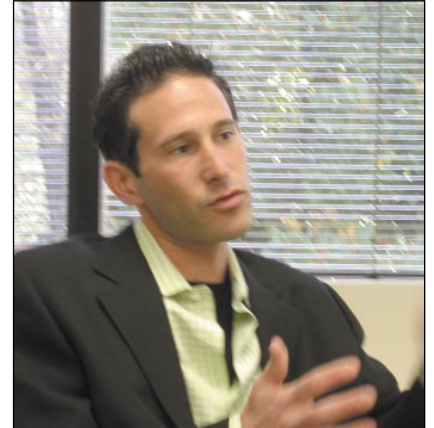
In addition to its local partners, BOS Group formed a strategic alliance with Cincinnati-based Neyer Holdings, the terms of which allow Neyer to serve as an investor in BOS Group. Its investment in BOS allows Neyer to expand beyond its current real estate holdings within the Cincinnati market.

“They have been great for us,” says Kroskin. “Their investment has really catapulted us and got our momentum going.”

“They truly get our business plan because they know the secondary and tertiary markets so well,” adds Lichtman.

Lichtman and Kroskin know that relationships are what matter in the real estate business. They’ve been careful their entire careers to build good relationships with people and really develop friendships with a lot of people they do repeat business with. BOS Group is doing the same in the communities where it is developing projects.

“We want to build projects that reflect the local region and the lifestyle of the community where we are de-



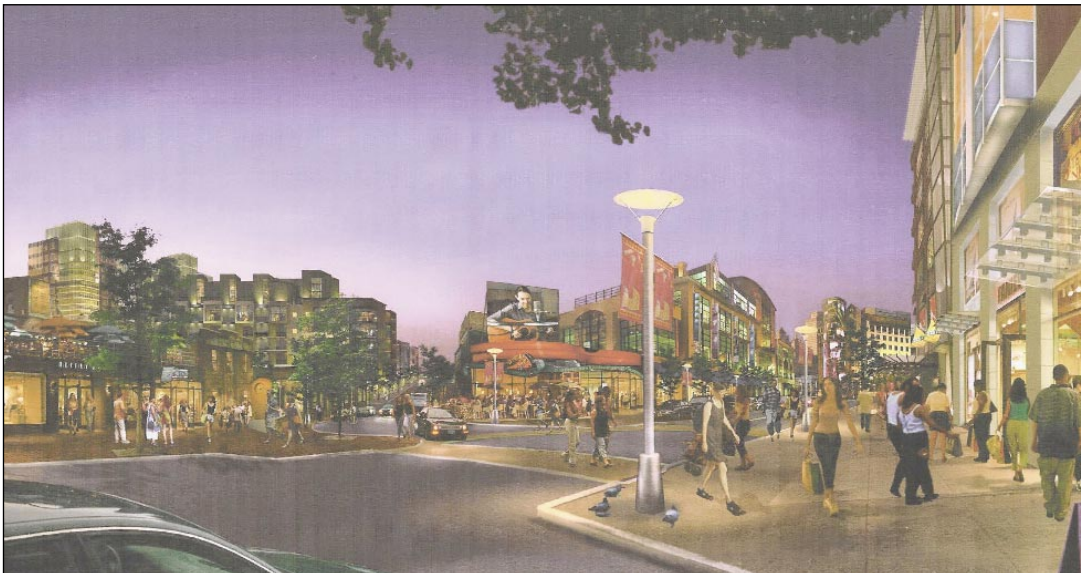
Mark Lichtman.

veloping,” says Lichtman. “We are weaving ourselves into the community so that we can maximize value and return to our three main clients: our tenants, our partners and the community.”

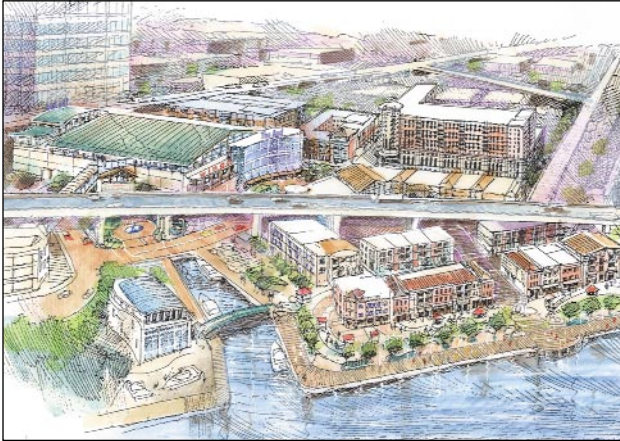
All of the projects that BOS Group has under pre-development or development are structured under public-private partnerships. This way, BOS has a vested interest in seeing the project succeed, as does the community. Prior to being on the development side of Mills, Kroskin was in the financial side of the company. He also worked in the Real Estate Services Group at

Arthur Andersen before joining Mills. These experiences provided him intricate knowledge of structuring complex public-private financing deals that create win-win situations for all parties involved.

In Buffalo, BOS structured a public-private partnership that includes more than \$70 million in public financing — a combination of tax increment financing and other public financing tools. BOS got all the municipali-



BOS Group and its partners plan to develop The Gulch in Nashville, Tennessee.



BOS Group is the master developer for the waterfront in downtown Buffalo, New York.

ties and government agencies on board early, so it believes the project will be successful once it goes through a few more steps.

BOS never goes into a community with preconceived notions about what

it will develop. It takes what it is thinking about building to community leaders and presents it, then asks what they'd like to see and if it fits into the community's master plan. This approach allies BOS with the parties that hold back most developments. It allows BOS to work with community government and develop what the area wants rather than fight to build a project that nobody wants.

"It's smart business because we are aligning ourselves with interests that could fight us while at the same time providing a product that meets the current market demand," says Kroskin.

For its future, BOS Group is always looking for new projects to co-develop. Because opportunities are few and far between in growing markets, it never wants to be in a position where it doesn't have a pipeline of developments. In the near term, the company plans to stay primarily in the East and Midwest.

For Lichtman and Kroskin, one of the rewards is that landowners and retailers realize that they're smart guys with integrity trying to build a great project.

"We're having a lot of fun with what we are doing," says Kroskin. "Our success is going to be hinged on the success of these projects. They need to be great not only financially, but architecturally and liked by the customer as well."

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