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Primestor Takes a Chance

PRIMESTOR BRINGS TOP-NOTCH
RETAILERS TO UNDERSERVED
COMMUNITIES. BY LIBBY JOHN

Commercial | PRIMESTOR DEVELOPMENT INC.

Growing up in and around the inner city of Los Angeles, Leandro Tyberg and his partner Arturo Sneider saw first-hand the challenges of the lack of quality retailers in a neighborhood. "We saw an opportunity where others saw a barrier," Tyberg says. "So we created Primestor to address the need of America's inner cities to have quality shopping and retail services."

Primestor Development Inc. is a vertically integrated real estate company that builds shopping centers featuring national retailers in underserved areas - mainly in California, Nevada and Illinois. "We educate the tenant community by explaining to them the true power and spending capacity of America's inner cities," he explains.

Once tenants agree to the opportunity, the company provides leasing, tenant coordination, financing and construction management services, and ultimately stays on as the property manager after the center opens to the public. It works with retailers such as Costco, Target, Best Buy, Famsa, Marshalls, Staples, Petco, Chili's Bar & Grill, and a wide range of mainstream banks, drug stores and grocery chains, as well as a large mix of local mom-and-pop shops.

When the company began in 1999, Tyberg says national retailers were hesitant about opening locations in inner cities because they thought it did not fit their business model. "Tenants were reluctant, lenders were scarce," he recalls. "But over the years, we've been able to demonstrate success in our shopping centers, which has in turn educated the larger retailers about the power of inner city communities."

"Ten years later, most retailers no longer consider the inner city as the next frontier," he says. "They have come to respect the opportunity."

"National retailers are looking for a company with a proven track record," he says. "They find that in Primestor. When we offer tenants a site, they know the project is for real, and are willing to invest time and energy in moving forward with the transaction."



Primestor prides itself for bringing retail to underserved areas in California, Nevada and Illinois.

Primestor Development Inc.

www.primestor.com

- 2007 revenues: \$27.5 million
- Headquarters: Beverly Hills, Calif.
- Employees: 35
- Services: Shopping center development, "When we offer tenants a site, they know the project is for real, and are willing to invest time and energy in moving forward with the transaction."

-Leandro Tyberg, partner

Marshfield Plaza

By this summer, Primestor will complete Marshfield Plaza, a 450,000-square-foot retail center on the south side of Chicago. The project is being done in partnership with the city of Chicago and will feature retailers including Panda Express, GameStop, T-Mobile, Marshalls, Petco, Staples, LA Fitness, Chili's Bar & Grill, Fifth/Third Bank, El Pollo Loco, Anna's Linens, Simply Fashions, City Sports, Payless Shoes, Subway and many others. Target and Jewel-Osco will serve as the anchors of this LEED-certified plaza, Tyberg adds.

Primestor worked with the community and local Alderman Carrie Austin to determine which retailers were needed in the area. "Many residents wanted a sit-down family restaurant,

so we pursued Chili's," he says as an example. "Based on local input, we got a local bank and we are also exploring franchise opportunities with the local residents of the ward to create new businesses for the shopping center. We often find that the best leads and direction come directly from the community. They know best what they want in their neighborhood."

There was a strong need for this type of development in the area. "The south side [of Chicago] is one of the most underserved and underappreciated economic powerhouses that we have ever seen," he says. "The community was screaming for quality jobs and quality retail services."

"We feel privileged to be assisting in this area's revitalization," he adds. "At a time when jobs are being lost nationally, they are being created in the south side."

This is the first project the company has done in Chicago. "We have two other projects in the works in the Chicagoland area, and we plan on doing many more in the future," he adds.

Working with the Community

Primestor is also constructing the 209,000-square-foot Plaza Pacoima, one of the largest retail developments in Los Angeles, Tyberg says. The project will be fully completed in

early 2010, and will feature Costco, an adjacent Lowe's Home Improvement and Best Buy, along with other retailers.

The project site used to be a pipe and faucet manufacturing plant, which contaminated the land extensively with volatile organic compounds in the soil and groundwater before it closed its doors and moved to Mexico in 2001, taking more than 1,500 local jobs with it, he says. "We purchased the property in its contaminated state four years ago because we saw a huge opportunity in an underserved community," he says. "There were no quality shopping centers for miles, yet the density and buying power of the community is extremely high.

"It was also an opportunity to do what we do best; to remediate the environmental conditions and bring in quality jobs and tenants," he adds.

The community served as a partner in the project, Tyberg says. "We worked close with the community," he says. "We had over 22 town hall meetings, asking the community what form of anchor they would prefer, what architectural preference they had, and how we could make sure they were an integral part of the project."

Primestor and the community negotiated a comprehensive Community Benefits Agreement, which included such commitments to hire locally, contribute to a Cultural Trust Fund for the benefit of Pacoima, and insure LEED silver certification for the shopping center, making it the very first green development for Pacoima.

Last year, Primestor completed "La Alameda" – a 270,000-square-foot center with a unique plaza component in Los Angeles that has 20,000 square feet of office space and 250,000 square feet of national retailers, like CVS Pharmacy, Petco, Office Depot, Marshalls, Big 5 Sporting Goods, Coldstone Creamery, Jamba Juice, Chuck E. Cheese, Starbucks, Bank of

America, and many others. "The project has been open for less than a year, and it has become the central gathering point for the entire Walnut Park community," Tyberg says.

Walnut Park is a densely populated suburb of Los Angeles located 20 minutes south of downtown, and boast a 95 percent Hispanic population and 1.1 million residents within a five-mile radius. It also represented the largest recycling project for Los Angeles County in 2007, reusing or recycling over 95 percent of the existing building materials, Tyberg says.

La Alameda's architecture is Santa Barbara / mission style and includes authentic Azulejo tiles from Mexico, a central Gazebo for outdoor performances, a large canterra stone fountain and a number of inviting areas for public use and open space.

Primestor also recently completed projects in Carson, Calif., and Sparks, Nev.

In March, the company broke ground on a new 12-acre community redevelopment project in South El Monte, Calif. The project is being done in partnership with the City of South El Monte's Redevelopment Agency and will feature authentic Spanish architecture and national tenants, Tyberg says.

For the near future, Primestor will focus on Illinois, California and Nevada, but Tyberg envisions the company growing to serve other underserved regions. "We believe there are many opportunities, but are focused on organized structured growth," he says. "The most important thing to us execution, and we wouldn't want to risk that on unorganized growth."

Culturally, he says, America is beginning to embrace urbanism. "There is a new focus on America's urban cores and a new focus on having a job close to your home," he says. ♦

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87

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ARTURO SNEIDER

TITLE: Founding Partner
COMPANY: Primestor Development Inc.
YEARS AS A DEVELOPER: 17

Born and raised in Mexico City, Arturo Snieder has long been curious to learn what motivates people to move from Mexico to the United States. When he moved to Los Angeles in 1986, he walked and drove through Latino communities with that question in mind. That curiosity would serve him well when he made a decision to launch Primestor Development in 1991, a retail developer targeting underserved Latino communities, with his brother-in-law Leandro Tyberg. Today, Primestor has 2 million square feet of development under way in diverse, underserved markets and owns and manages a portfolio in excess of \$150 million.

What drew you to developing projects in inner city neighborhoods?

Both my family and wife's family had been involved in real estate investing on a smaller scale. My dad owned mostly small industrial buildings, while my wife's family owned storefront retail in downtown Los Angeles and Koreatown. I decided to explore the possibility of doing real estate work in those communities on a larger scale. My dad got ill in 1991 and it pushed me into working full time. That was a period of figuring out what I wanted to do with my life. In my father's business, we owned and managed properties, but didn't develop. I came up with Primestor to create a vision to do the projects. At that time, I didn't know it was going to be this hard. And I didn't look at it as a development business. I was just trying to do better-quality projects in communities where few people were doing anything. I tried to come up with a name that identified these areas as prime areas for development to counteract the perception that these communities weren't good locations and had no buying power when in reality these were actually prime locations.

What do you see as the biggest challenge in trying to develop projects in inner city neighborhoods today?

These are really difficult projects. They have a very expensive assemblage of land and a lot of environmental issues and infrastructure issues. Either you don't have enough infrastructure or the infrastructure is not designed for the kind of use you have planned. The difficulty is in convincing national tenants that they will hit the sales figures they want because of the dense population that exists. It requires adapting their prototypical vision into something more urban. The financing is complex because of the high cost of developing. It requires combining new market financing, tax credit financing and developing partnerships and joint ventures with nonprofits. It adds years to a project.

Why do you think you were able to attain success at a time when these communities were the last places national retailers wanted to develop?

I think it was two things: I'm fully bilingual, and I don't particularly look very Mexican. The ability to speak the language of finance and deal-making while at the same time being able to speak fluent Spanish and connect with the community helped bridge different worlds that otherwise would not be possible. I was also good at figuring out how to package information about the purchasing power in these communities that was less available than it is today. The information showed retailers that they already had customers coming from these neighborhoods. They also needed to consider the volume of sales, not the size of the purchase that would come from these neighborhoods because of the population density.

What non-real estate work is in your background that you find yourself drawing upon?

My mom is an artist. She is a pretty well-known painter in Mexico. I'm a frustrated architect. I love art, design and the functionality of a project as well. What I find in my business as a developer is that I have the best of both worlds. I get to make architectural decisions and decisions that affect the lives of people by providing jobs.

If you weren't doing this what would you be doing?

I would probably be working for someone else doing this. It's so multifaceted. The attorney I work with told me I should have been an attorney. The architects that I work with tell me I should have been an architect. The accountants ask if I have an accounting background. I get to use all those non-polished skills I have that are street-learned.

What is the one thing people should know before doing business with you?

Above all, that all the cards have to be on the table. There is a perception of this business that it is a rough business. It also carries the perception of people trying to push the envelope too far before stating what their real intentions and objectives are and really delivering on those. One of the missions of our firm is to put all our cards on the table early on. For instance, when we meet with a community they may want a retailer we know we can't attract into the community. They may think they would be able to support a high-end fashion store or a Barnes & Noble. It's tough to walk through why the community is not there yet. But we tell them we will be pushing hard for great design and landscaping and to build a great space so the platform can be set up to attract those stores.

If you could have one superpower what would it be?

Having lived through dad's illness, it would be the ability to cure people. My father has multiple sclerosis. His willingness to live despite the hardships is incredible. That's what I would wish for.

What is in the trunk of your car?

An emergency backpack and a soccer ball. Both are for emergencies. I play soccer every week. I never know when I will have the uncontrollable urge to play soccer.

If you could relive one day in your life, what would it be?

As a family we took a trip to Jasper National Park in Canada. It was probably one of the greatest days I have ever had. We hiked over 40 miles in the mountains. It was great to be able to share that experience with my family.

Was there ever a deal or a project that you wish hadn't gotten away?

There have been several. Our deals are very complicated. You have to have a lot of people in the community, neighborhood, city council and lending community who understand the vision and are willing to stick it out. For different reasons, some projects have not gotten done. The financing wouldn't work, we ran into an environmental issue or the community was not ready for that kind of challenge. But we are still young and gluttons for punishment. We can always come back and try again.

— Interview by Keeley Webster

