

# CRAIN'S DETROIT BUSINESS

November 29, 2018 09:51 PM

## Eastland's new owner brings big promises, spotty record of mall redevelopment

New owner is New York-based Kohan Retail Investment Group  
Group owns 27 malls, including two in Michigan  
It has checkered ownership history



CoStar Group

Eastland Center mall in Harper Woods has long struggled with vacancy and disinvestment. Its new owner promises efforts to revitalize it.

The new owner of Eastland Center is a New York-based real estate investor who wants to bring the long-struggling mall in Harper Woods back to life — a plan that hasn't panned out for some of his other properties, including in Michigan.

Mike Kohan, principal of Great Neck, N.Y.-based Kohan Retail Investment Group, placed the winning \$3.125 million [bid](#) for a 640,000-square-foot chunk of the mall. The

deal with CWCapital, which has owned the mall since it went into foreclosure in 2016, closed last week, Kohan said.

"I understand the mall suffered in the past few years," he said. "We are hands-on owners and are trying to get whatever tenants we can bring to try to put a light on in those dark spaces."

Eastland Center has lost most of its anchor tenants in the last few years, leaving little hope for a comeback in its current form at a time when traditional malls are on a steep decline. The most unique pitch for Eastland Center so far has been transforming it into a civic center with the city of Harper Woods as its main tenant.

Kohan said the first part of his plan is to locate new tenants to stabilize the mall. "Further down the road," he said he is "looking forward to discussions" with the city on a potential partnership.

Harper Woods is pushing an "economically sustainable redevelopment plan," according to documents on its website. The city envisions replacing the mall with a "civic campus," with a new city hall and police department.

Joe Rheker, city manager, said he recently made contact with Kohan and set up a conversation about future redevelopment at the site.

"Our plan is not only retail, which will be the primary plan, but also multi-user and alternative use, meaning entertainment and professionals, like urgent care or accounting," Kohan said.

Kohan Retail Investment owns 27 malls across the country, including Midland Mall and The Orchards Mall in Benton Harbor, according to its website. Much of Kohan's portfolio consists of properties bought out of bankruptcy or foreclosure. He's often touted his ability to resuscitate dying malls.

But Kohan — who also goes by Mike Kohen and Mehran Kohansieh — is perhaps known more for his well-documented struggles than for being a mall savior.

He bought The Orchards Mall in 2014, aiming to "fill it up and bring it back," [he told](#) the *Herald Palladium* then. In June, he moved to auction off the mall, which was 45 percent occupied and had \$407,000 in unpaid property taxes and bills, the paper [reported](#).

Sale of The Orchards Mall closed Friday, said Steven Silverman, with Farmington Hills-based Friedman Integrated Real Estate Solutions LLC, which managed the auction. It sold for higher than the \$2.5 million reserve, but the final price and the identity of the buyer was undisclosed.

Silverman said the new buyer has "tax matters with the city that have to be resolved" before they identify themselves. But he did say they are a local group that owns several malls in the market.

Silverman said the new owners are planning "several millions" of dollars in investment in the "immediate" term and that they have already started installing a new, badly-needed HVAC system.

While the mall itself is in decent working condition, it suffered from "years of mismanagement and absentee ownership." In Kohan's three years of ownership, little changed at the property.

"For the most part, he was running it as is," Silverman said. "There was not significant capital put into the mall."

The mall is still listed as part of his portfolio. Steven Silverman, with Farmington Hills-based Friedman Integrated Real Estate Solutions LLC, which managed the auction, could not be reached for comment Thursday.

In the past, Kohan Retail Investment has been subject to lawsuits and racked up hundreds of thousands of dollars in unpaid taxes and bills, according to various media reports from suburbs where his malls operate. The heat was [turned off](#) at one of his malls in St. Louis, and the lights [went out](#) at one in New York after an electricity bill went unpaid.

He purchased Midland Mall in June for \$9.4 million from a court-appointed real estate firm that took over when it was foreclosed on in 2016, according to a report from the *Midland Daily News*. He spoke of plans to revitalize that property, too.

As for Eastland Center, Kohan said it's too early to say what the next steps will be. There are no immediate plans for infrastructure improvements or to make changes at the management level.

"The property is gonna go in the same way it has been for day-to-day operations," he said. "The only difference is gonna be bringing in more people."

The mall opened in 1957 but has emptied out over the past couple decades due to disinvestment and the rise of e-commerce. Its major anchor tenants fell one by one — Sears, Burlington Coat Factory, Macy's and Target. Businesses still holding out there include Shoppers World, Payless Shoe Source, Kay Jewelers and Finish Line. It is about 35 percent occupied, according to Southfield-based Farbman. Not included in the auction were the former Macy's and Target stores.

Reviving any mall is a tall order with the masses abandoning brick and mortar in favor of the internet, but the going will be especially tough for Eastland Center, said Ken Dalto, president of Bingham Farms-based financial consultant Kenneth Dalto Associates Inc.

"People shop differently — that's the first big problem," he said. "The second big problem is that the location has proven to be a loser over many years and they have better malls three, four miles up the road."

The outdated bulky spaces must be broken up, and the rent must be lowered to lure

back businesses, Dalto said. That would take significant investment in retrofitting and would mean a slower return on investment. For spaces too large for a traditional tenant, the owner must think outside the box – fitness centers, dance studios, aquariums and training centers could be viable.

Dalto said a partnership with Harper Woods might be the mall's best hope – maybe it's only hope.

“Every city has a structure where they do community events,” he said. “Harper Woods doesn't want a vacant mall in its city, so they're willing to reposition and repurpose so they can fill it.”

He said realistically, it'll take three to five years to refill the mall, if the owner sets forth on a deliberate revitalization plan. That means making some concessions and looking past the profit line at first.

“Nobody wants to be first, second or third – they want to go into a mall that's already full,” he said. “They're going to have to give away a lot.”

Kohan said no deals have been made with new tenants yet, and he is encouraging small business owners to reach out if they are interested in a space, as the long-term redevelopment plan remains in flux.

"It's gonna cost a lot of money," he said. "I'll have to see what kind of use the mall is gonna bring."