

The Main Street CDC Joint Venture

NC Community Development Initiative Grantee Retreat January 29, 2008

You have just been hired as the Executive Director of the Main Street CDC, an established organization serving Your City, North Carolina.

Prior to your joining the organization, the CDC purchased an option on a 3.5 acre parcel of undeveloped land. The land is adjacent to the community in which the CDC has operated since its formation fifteen years ago. During this period the CDC has extensively redeveloped the housing in its service area and now wants to branch out into commercial development. In particular, the neighborhoods in which your CDC works are very underserved by basic amenities, such as grocery stores, pharmacies and other important retailers. As a result, the organization's vision is to develop a small shopping center on this site with a grocery store as the anchor.

Neither you nor the CDC has any experience in commercial development, however, so the Board has directed you to partner with Commercial Enterprises, Inc., an experienced commercial developer in the state, to develop this site. Jim Thomas, the principal of the firm, has tentatively agreed to work with the CDC, and the parties now need to negotiate a Term Sheet that will summarize the basic terms of the relationship between the parties.

Mr. Smith has said that the Term Sheet should address at least the following issues: (1) what form this "partnership" will take; (2) who will manage it; and (3) how any profits will be shared. Your job is to present the first draft of the Term Sheet to Mr. Smith for his review.

Please consider the following questions:

1. What information, if any, do you need to know to begin the project?
2. What are the options for structuring this business transaction?
3. What are the advantages/disadvantages of the options you have identified?
4. What concerns, if any, do you have about this proposed transaction? Why?