

Introduction to Real Estate Development for Local Governments

Delaware Local Government Training Program

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Topics

- Real Estate Project Life Cycle
- Site Selection
- Feasibility
- Contract Negotiation and Formal Commitment
- Completion and Formal Opening
- Property, Asset, and Portfolio Management
- The PLUS Process in Delaware
- The Role of the Public Sector

Real Estate Project Life Cycle

- Development Time
- Stabilization Time

Site Selection

- Starts with an idea
- Market Research

Site Selection

- Where exactly is the site located?
- Is the infrastructure there?
 - Roads
 - Intersections
 - Water & sewer
 - Other

Feasibility

- COSTS
 - Price of the land
 - Zoning
 - Transportation
 - Parking
 - Physical Features
 - Environmental
 - Local attitude toward new development

Feasibility

- Discussing the project with other players
 - Initial design feasibility with architects and local government land use personnel
 - Contractors, Potential tenants, Property managers, Lenders, Investors, THE PUBLIC

Feasibility

- Financial Feasibility
 - Pro Forma
 - Refining the “back of envelope” analysis is an ongoing process
 - Estimating cash flows
 - Risk Control
 - Market Research
 - “Know yourself”
 - Contingency clauses/Release clauses
 - Ensuring that the project is acceptable to the local community
 - LIMIT TIME AND \$\$\$ UNTIL FINAL APPROVAL

Contract Negotiation and Formal Commitment

- Arranging Financing
 - Construction Lender
 - Permanent Lender
 - Mezzanine Lender

Contract Negotiation and Formal Commitment

- Sources of Development Financing

Contract Negotiation and Formal Commitment

- Common Thread in all Financing - Put yourself in the lender's shoes
 - How is lender compensated?
 - What is the lender's expectation/objectives?
 - Does the project "fit" the lender's self image?

Contract Negotiation and Formal Commitment

- Design and Contractors
 - Fixed price vs Cost Plus
 - Fast-Track Construction
 - Bonding
 - Checklist for Construction Contracts

Contract Negotiation and Formal Commitment

- Other Contract Considerations
 - Decisions about major tenants
 - Decisions about equity
 - The Government as a partner

Formal Commitment & Approval

- Signing Contracts & insurance agreements for construction
- Approval of planning & zoning commission
- Approval of mayor/council

Construction

- Project Manager
- Marketing Manager
- Financial Officer
- Property Manager

Construction

- Building the structure & drawing down the construction loan

Construction

- Leasing Space and/or “Building Out” tenant space

Construction

- Landscaping and Exterior Construction

Construction

- POTENTIAL PROBLEMS
 - Government
 - Weather
 - Material Costs
 - Management/Labor Issues

Completion and Formal Opening

- Grand Opening/Topping Off Party
- MARKETING

Property, Asset, and Portfolio Management

- “A real estate asset should be viewed as more than just bricks and mortar. The importance of each of these disciplines throughout the life cycle of the asset is hard to overestimate.”
- James A. Graaskamp, University of Wisconsin Center for Real Estate

Property, Asset, and Portfolio Management

- Property Management
 - May involve supervising a large team at one property, or may be a single employee managing multiple properties
 - Responsibilities
 - Tenant relations
 - Rent collection
 - Monitoring operating expenses
 - Financial reporting and record keeping
 - Property maintenance
 - Planning expenditures
 - Crisis management
 - Security issues
 - Public Relations

Property, Asset, and Portfolio Management

- Asset Management
 - Oversees the property manager's properties from the aspect of asset performance
 - Responsibilities
 - Develops strategic plan
 - Analyze whether to hold or sell the property
 - Review opportunities to reposition the property and justify expenditures
 - Monitor overall property performance
 - Manage and evaluate the property manager by comparing with other comparable properties
 - Assist with tenant relations

Property, Asset, and Portfolio Management

- Portfolio Management
 - Accountable for portfolio performance
 - Responsibilities
 - Client reporting and cash management
 - Reinvestment decisions
 - Communicating with investors and setting the portfolio goals and investment criteria
 - Defining and implementing portfolio investment strategy
 - Overseeing acquisitions
 - Dispositions
 - Asset management

The Real Estate Development Life Cycle

- Development Time
- Stabilization Time

The PLUS Process in Delaware

The PLUS Process in Delaware

The Role of the Public Sector - Regulator

- Concept Phase

The Role of the Public Sector - Regulator

- Pre-application phase

The Role of the Public Sector - Regulator

- Application Phase

The Role of the Public Sector - Regulator

- Public Decision Phase

The Role of the Public Sector

- Affordable Housing
 - Variety of types
 - Financed VERY differently than other commercial developments

The Role of the Public Sector

- Public/Private Partnerships
 - Important to detail the terms and conditions clearly and accurately
 - Public commitments = Expectations of financial returns (never a guarantee)
 - Public objectives must also be considered (makes everything more complicated)
 - More active involvement of public & public officials

All Ideas

- Intro to Real Estate Development for Public Officials
- Evaluating Real Estate Opportunities in Your Town (Valuation and Market Analysis)
- Keys to Developing a Successful Main Street
- The Development Process
- Fundamentals of Development Finance
- Development Law, Process and Ethics
- Property Management
- Sustainable Development (LEED)
- Real Estate Law
- Lessons in Smart Growth and Conservation Development
- Principles of Urban/Rural Design
- Design and Construction Management
- Different Sectors of Real Estate (Residential, Retail, Commercial, Industrial, Multifamily)
- Asset Management
- Planning Policy, Practice and Politics for Developers
- Affordable Housing Policy and Practice
- Affordable Housing Finance
- Historic Preservation and Adaptive Reuse

Key Ideas

- Opportunities for Implementing Comprehensive Plans
- Real Estate Research/Real Estate Development Opportunities
- Historic Town Development Strategy

Opportunities for Implementing Comprehensive Plans

- The Idea
 - In addition to offering Comprehensive Plan services to towns, IPA would actively work with towns to ensure that the Plans we develop are implemented
 - This does not mean we would stop writing Comprehensive Plans, it would simply be an expansion of our services

Opportunities for Implementing Comprehensive Plans

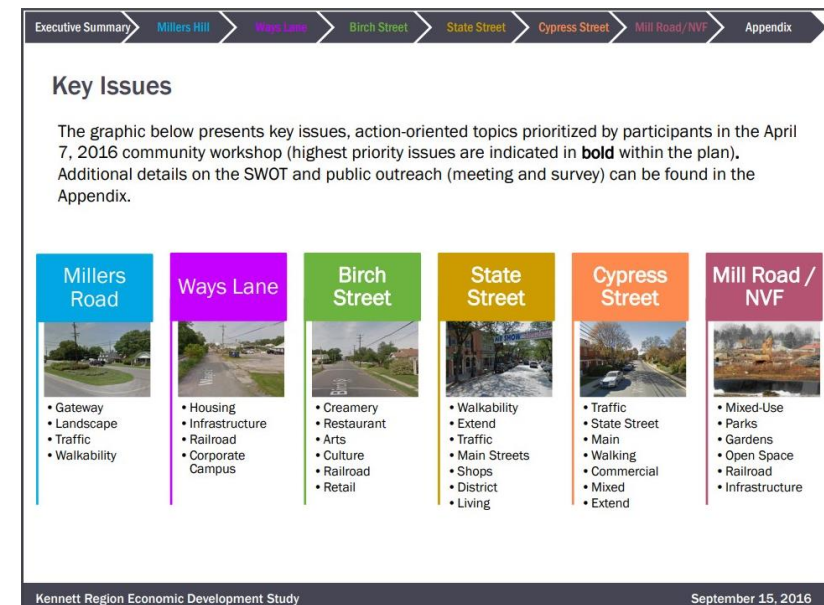
- What are some examples?
 - Master Plans for proposed Annexation areas similar to those done for Milford and Eden Hill in Dover
 - Sector Plans – A long range land use plan for a specific geographic area, either within a town, a County, or both.
 - Neighborhoods Plans – A long range plan for a specific neighborhood
 - Corridor Plans/Studies – A long range plan for a specific road or highway corridor. These plans tends to be more transportation-focused than Sector Plans or Neighborhood plans.
 - Economic Development Plans – Long Range Plans that provide a comprehensive overview of the economy, sets policy direction for economic growth, and identifies strategies, programs, and projects to improve the economy.
 - Revitalizations Plans – Similar to plans done for Claymont and Brandywine Village, but perhaps more market-based than those plans were.
 - Housing Studies – Detailed housing analysis for towns based primarily on Census data, local knowledge, town/County policy, and field surveys for conditions
 - Real Estate Market Studies – Market analysis based on growth projections, objective real estate data, surveys of competitive properties and newly built communities, proposed and approved plans, and town/County policy.

Opportunities for Implementing Comprehensive Plans

- Other Examples of potential work
 - Walkability Assessments
 - Healthy Communities Analysis
 - Work with local schools/education systems
 - Historic Resources surveys (CHAD)
 - Community Development opportunities (CCRS)
 - Detailed surveys for communities (CADSR)
 - Economic Development Opportunities (Horn)

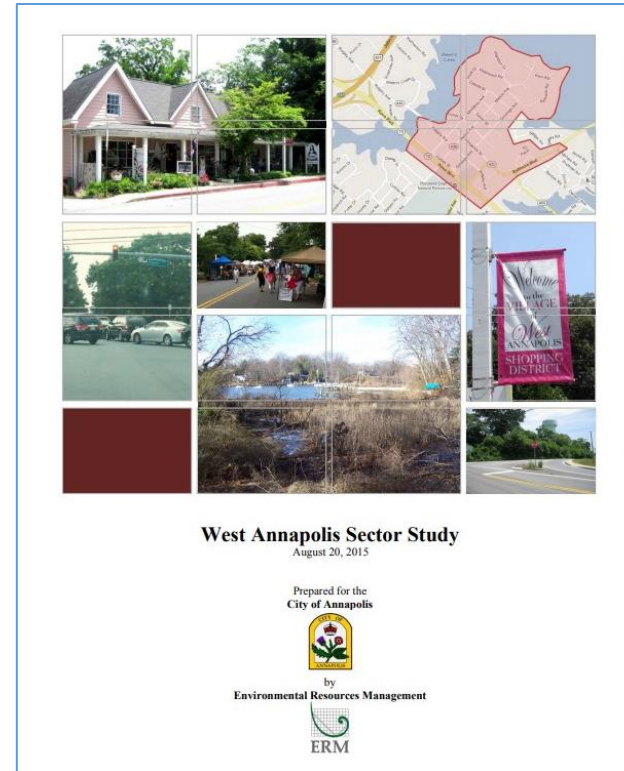
Opportunities for Implementing Comprehensive Plans

- Example 1 – Kennett Regional Economic Development Study
 - Paid for in part by Historic Kennett Square
 - Study implements the goals and recommendations of both Kennett Borough and Kennett Township's comprehensive plans in addition to Landscapes2 (Chester County's Comprehensive Plan).
 - A broad market analysis of the region was done to determine demand for new development types in the area.
 - 6 specific development locations were identified for detailed recommendations to implement
 - <https://historickennettsquare.com/wp-content/uploads/2016/09/Kennett-Region-Economic-Development-Study-Final.pdf>



Opportunities for Implementing Comprehensive Plans

- Example 2 – West Annapolis Sector Study
 - West Annapolis is a neighborhood in Annapolis located directly across Rowe Blvd from the Naval Academy football stadium.
 - Study seeks to implement the goals and recommendations made for that area of town in the 2009 Comp Plan
 - Significant change as recommended for the commercial area bordering Rowe Blvd while maintaining the character of the adjacent neighborhoods.
 - <https://www.annapolis.gov/DocumentCenter/View/1224/2015-West-Annapolis-Sector-Study-PDF>



4.2 Land Use and Zoning

Figures 4.3 and 4.4 show the existing land use and proposed land use from the 2009 Comprehensive Plan. The character type that is designated in the opportunity area (Figure 4.2)—Urban Center Low—coordinates with the proposed mixed use designation shown in Figure 4.4.

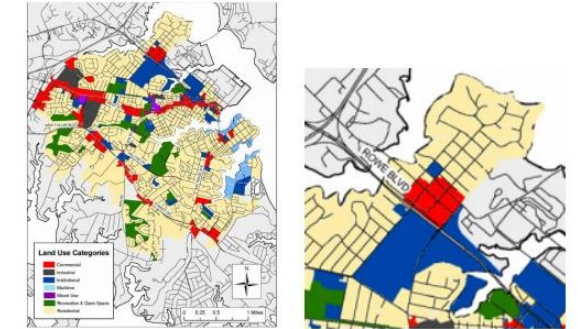


Figure 4.3: Annapolis and West Annapolis, Existing Land Use Map from 2009 Comprehensive Plan

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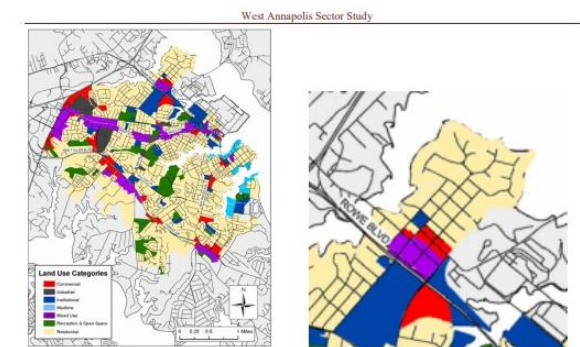


Figure 4.4: Annapolis and West Annapolis, Proposed Land Use Map from 2009 Comprehensive Plan

The difference between the existing and proposed land use maps is that the proposed change

Opportunities for Implementing Comprehensive Plans

- Example 3 – Commercial Landscapes Study

- A much larger effort that looked at making recommendations for all office parks, shopping centers (“greyfields”), brownfields, and TODs in Chester County.
- The study used current real estate trends and existing conditions in the County while referencing the policies and recommendations made in Landscapes 2, the 2009 County Comprehensive Plan.
- The study won the award for Best Practice from the Pennsylvania APA in 2017 -

<https://planningpa.org/resource-library/chester-countys-commercial-landscapes-series/>



Real Estate Research/Real Estate Development Opportunities

- The Idea
 - IPA could provide local governments and the State real estate focused research services based on market trends, new deals, and approved/proposed developments.
 - IPA could also assist local governments and/or the State in identifying real estate development opportunities and ensuring that their zoning and/or regulations are not unintentionally restricting new development from occurring in areas around the State.

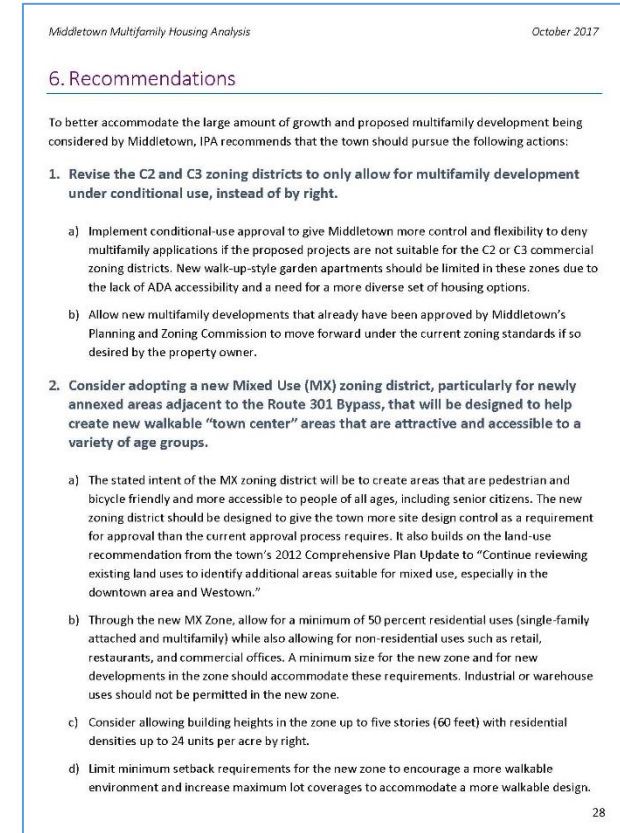
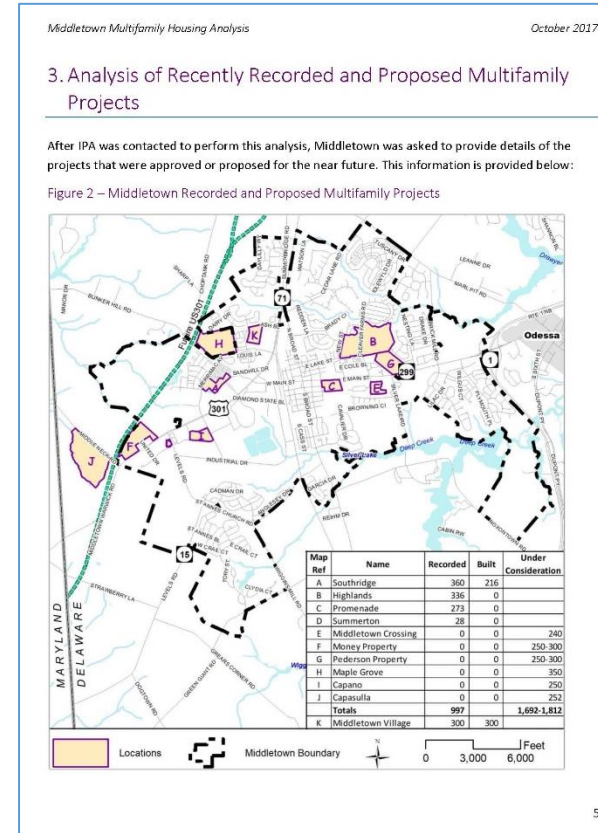
Real Estate Research/Real Estate Development Opportunities

- Some examples could include
 - An annual “State of the Commercial Real Estate Market” produced by IPA in coordination with the Division of Small Business and/or ULI
 - Offering real estate analysis or housing surveys such as the Multifamily Housing Analysis done for Middletown in 2017
 - Recommending policies and methods to improve and expand the affordability and availability of residential housing working with CCRS and State Housing
 - Offering recommendations to design buildings and communities to use resources more efficiently and sustainably and to reduce the environmental impact of development
 - Adaptive Re-use recommendations working with CHAD
 - New designs for industrial properties addressing last-mile logistics and to preserve a viable urban industrial base
 - Impact of technology trends on the design of building and communities

Opportunities for Implementing Comprehensive Plans

- Example 1 – Middletown Multifamily Housing Analysis


- Middletown was faced with nearly 3,000 units of proposed multifamily development, far more than anything they have ever encountered
- Middletown approached IPA to help them decide “how much of the proposed development they should approve”
- IPA could not make that decision for Middletown for a variety of reasons, so instead a housing analysis was done to take a closer look at some of the underlying issues
- Each of the proposed development sites was identified and analyzed along with Comp Plan recommendations and existing zoning
- A key recommendation to change the nature of the C2 & C3 zones was enacted by the town, and they entered into a 2nd contract to help them develop a new mixed use zone



Opportunities for Implementing Comprehensive Plans

- Example 2 – Chester County Affordable Housing Case Studies
 - Chester County created a Housing Options Task Force after the 2009 Comprehensive Plan in order to continue to advocate for more affordable housing in the County.
 - Case Studies were one of the recommendations made in the Task Force's Action Plan.
 - The Case Studies were developed in order to show examples of successful and attractive affordable housing communities around Chester County.
 - Each Case Study focused on a different type of affordable housing, from Senior Housing to Medium Income Housing to Affordable developments that used “green” building techniques

REDEVELOPMENT AND INFILL

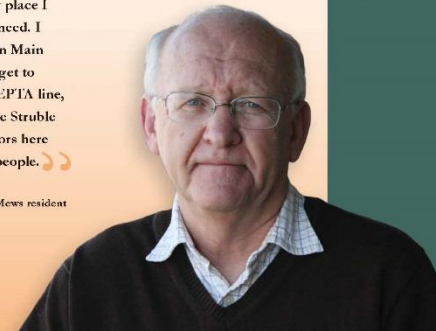



Green Street Mews
DOWNINGTOWN, PA

Green Street Mews exemplifies the possibilities for turning outdated industrial sites into attractive new homes that are within walking distance to amenities, restaurants, and the train.


“Green Street Mews is a great community, and from my place I can walk to everything I need. I can walk to Downingtown Main Street events, it's easy to get to Philadelphia using the SEPTA line, and I can hop right on the Struble Trail nearby. The neighbors here are also great, very nice people.”

- Bruce Mowday,
Local author & Green Street Mews resident



Green Street Mews
DOWNINGTOWN, PA


The Housing Options Task Force is an initiative of The Chester County Planning Commission, the Department of Community Development, the National Builders Alliance and the Builders of Chester and Delaware Counties.

SPECIFICATIONS	PROJECT DESCRIPTION	PHOTOS
<p>Location: 200 Green Street, Downingtown, PA 19335</p> <p>Developer: Progressive Housing Ventures</p> <p>Architect: Barton Partners Architects & Planners</p> <p>Builder: Progressive Housing Ventures</p> <p>Total Number of Units: 30</p> <p>Unit Type: Townhomes/Attached Single Family with garage</p> <p>Consumer Affordability: \$219,370–\$262,570 (74–89% county median) Units were sold at market rate. The developer used favorable mortgage financing for buyers with no PMI and only 3% down due to the property being within a Community Reinvestment Act area.</p> <p>Landscape Type: Urban</p> <p>Start/Completion Date: 2008</p> <p>Sustainability: Energy Star rated appliances, high insulating value construction</p>	<p>Green Street Mews was completed in 2008 and all 30 3-story townhomes sold in just 13 months. The site had previously been an industrial site that frequently flooded, creating hazardous conditions for the neighborhood and a difficult environmental challenge. Through re-zoning and redevelopment, the site has been transformed into a desirable asset for the community. Since its completion, Green Street Mews has won numerous awards for its innovative design while providing well-built affordable homes for the Downingtown community.</p>	

“Green Street Mews offers affordable living within walking distance to downtown. It sold out in just 13 months and has been very popular with young families and young professionals. All in all, it's been a great development for the Borough.”

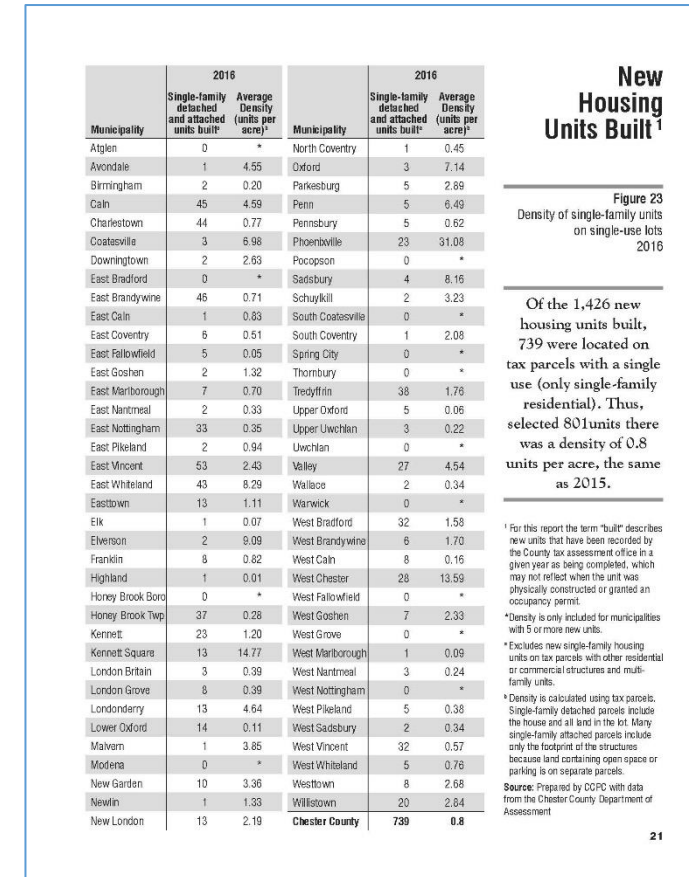
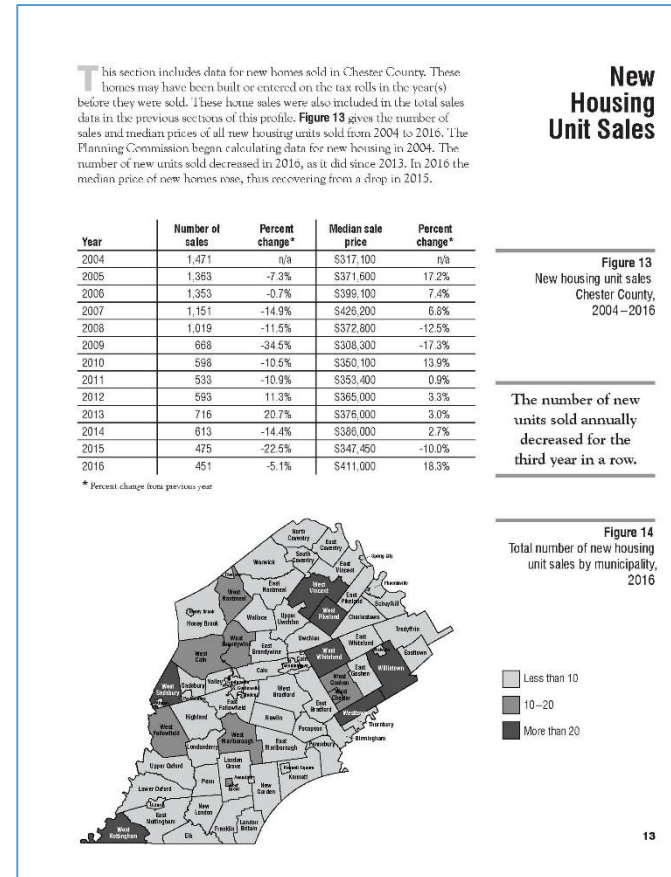
- Steve Sullins,
Downingtown Borough Manager

MORE INFORMATION
Learn more about how redevelopment and affordable housing can benefit your community.
► <http://www.chesccoplanning.org/housing/housing.cfm>
► 610-344-6285



Opportunities for Implementing Comprehensive Plans

- Example 3 – Chester County Annual Housing Report
 - This report displays median sales prices of residential properties on three aggregate levels: county, school region, and municipal. County data include the prices of all transactions occurring throughout Chester County.
 - The report primarily looks at both price and units sold in various different ways. It is broken down Countywide, by Region of the County, School District, and by Municipalities.
 - A variation of this report could be done for municipalities, Counties, or Regions of the State and could have different focuses other than Housing depending on the interests of our customers.



Historic Town Development Strategy

- The Idea
 - Southern Delaware is filled with municipalities that are not capitalizing on the large amount of growth occurring in the Region. Many new home communities, new businesses, and some retirement communities are being built, but very few are being built in municipalities and many are not in any way connected to municipalities.
 - IPA could work with a group of interested towns to develop a program or strategy to help them capture some of this growth market by identifying economic development and real estate development opportunities in their town and then marketing themselves better to new residents and existing residents.
 - CHAD, CCRS or the Division of Small Business could all potentially be partners in this effort if we desire them to be.

Historic Town Development Strategy

- What could be done?
 - Approach towns about this opportunity and identify willing partners.
 - Begin to meet with the partner towns to try and identify common issues.
 - Survey both residents and business owners to see if the issues that the towns perceive are shared with residents and businesses.
 - Identify areas where each town can capitalize on the assets they have and identify prime development opportunities for each town.
 - Work with towns to actively recruit businesses to their Main Street areas and help organize and create events to attract new customers and potentially new residents and businesses to the towns.
 - Get business owners to resources that can be helpful to them once the towns are fully engaged.
 - Improve the coordination and advertising for various existing festivals and town events around the State
 - Potentially could ask craft brewers around the eastern shore to host block parties in a series of towns and market businesses and storefronts during the events

Historic Town Development Strategy

- Examples of similar efforts
 - Town Tours in Chester County
 - <http://www.chescoplanning.org/HisResources/TownTours.cfm>
 - Preservation Maryland Historic Tours
 - <http://www.preservationmaryland.org/programs/tours-workshops/>
 - HOW SMALL TOWNS AND CITIES CAN USE LOCAL ASSETS TO REBUILD THEIR ECONOMIES: LESSONS FROM SUCCESSFUL PLACES (EPA Office of Sustainable Communities) https://www.epa.gov/sites/production/files/2015-05/documents/competitive_advantage_051215_508_final.pdf