

Real Estate Issues and Economic Development



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Purpose of This Session

- ❖ Discuss a smorgasbord of the important issues related to the interface between the economic development and real estate disciplines
- ❖ Answer any questions you may have about this topic



The IEDC Manual Topics

1. The Real Estate Development Process
2. Real Estate Development Players, Roles & Partners
3. Predevelopment
4. Market & Political Feasibility
5. Financial Feasibility
6. Site & Engineering Analysis
7. Financing
8. Contractor Negotiations & Public Approval



The IEDC Manual Topics

9. Construction
10. Marketing the Project
11. Local Public Sector Development Tools, Resources & Practices
12. Federal Redevelopment Tools & Resources
13. Dealing with Environmental Contamination
14. Glossary
15. Acronyms



Some Competitive Realities

- ❖ Extremely competitive arena
 - 15,000 – 18,000 EDOs
 - In good times, 2,200± manufacturing or office projects annually with 20 or more employees
- ❖ Currently a very slow marketplace
 - ↑ 5 to 10% in 2000
 - ↓ 25 to 40% in 2002 – 2004
 - ↓ 50 to 60% 2005 – 2010

Source: The Wadley-Donovan Group

Some Competitive Realities

- ❖ Another measure of sluggishness:
Project announcements (new or expansions)
that were any of the following:
 - \$1 million or more in capital investment
 - 50 or more jobs
 - 20,000 square feet or more

2000 – 12,529	2004 – 6,905	2008 – 4,425
2001 – 10,808	2005 – 6,482	2009 – 4,345
2002 – 7,600	2006 – 4,906	2010 – 4,623
2003 – 5,793	2007 – 4,888	

Projects in New England



Year	New Mfg	Mfg. Expand	Other	Total
2000	21	15	53	89
2001	33	27	33	93
2002	31	32	212	275
2003	6	23	36	65
2004	15	9	50	74
2005	8	4	35	47
2006	23	16	19	58
2007	21	21	20	62
2008	23	13	30	66
2009	26	16	43	85
2010	17	16	42	75
Total	207	176	531	914



2010 Projects in New England

State	New Mfg	Mfg. Expand	Other	Total
CT	3	4	11	18
MA	3	3	23	29
ME	2	0	4	6
NH	2	3	0	5
RI	2	2	1	5
VT	5	4	3	12
Totals	17	16	42	75



Some Competitive Realities

- ❖ The Era of the Global Jobs Auction
- ❖ It is a Buyer's Market
 - You are both the Seller and the Commodity being sold
- ❖ Speed is of the essence
 - Timeframe for selection process (3 - 4 months) is half that allowed 5 - 10 years ago
- ❖ Selection process emphasizes elimination



Some Competitive Realities

- ❖ Current keys to competitiveness are:
 - Labor availability (supply, skills, costs)
 - **Rapidly available buildings and sites**
 - Customizable, regional information & data
 - Maximum information available from your website
 - The willingness to play “Let’s Make A Deal”
 - The use of real estate and infrastructure as an incentive



Providing a Home - Quickly

- ❖ It is essential to have a reasonable choice of buildings & sites available NOW.
 - In most states, 70% to 75% of prospect companies begin process by looking for an existing building.
 - 50% of projects end up in an existing building.
 - Therefore, to be competitive, you must have an adequate inventory of both sites and buildings.



Providing a Home - Quickly

- ❖ If construction is necessary, so is fast track permitting
- ❖ Site selection consultants say they would like
 - Local permits within 14 days (7 ideal)
 - State permits within 45 days (30 ideal)



What the Competition is Doing

■ Clermont County, OH

- County ordinance requires permits to be issued in 10 days for complete/accurate application for a project allowed in the zoning district

■ Chesapeake, VA

- Office project in office district – permits in 2 days
- The Economic Development Department has a professional engineer on staff dedicated to working with businesses in creating a streamlined development process

■ Phoenix, AZ

- Building Plan Self-Certification Program



What the Competition is Doing

- ❖ Communities are giving staff more permit and approval authority to expedite the process after the community establishes the regulations
- ❖ More communities are pre-permitting sites
- ❖ More states have created “Certified” or “Shovel-ready Site” programs with all infrastructure in place

Area Development Survey – 2010

(Ranking of Factors Rated Very Important or Important by Corporate Executives and Site Location Consultants)

Site Selection Factor	Corp. Execs	Consultants
Highway Accessibility	1	3
Occupancy or Construction Costs	4	8
Energy Availability & Costs	9	5
Availability of buildings	10	10
Availability of Land	13	12
Availability of advanced ICT services	14	17
Expedited or fast-track permitting	15	14
Accessibility to major airport	22	13
Railroad service	25	25
Waterway/ocean port access	26	26
You can't talk about real estate without talking about infrastructure		



Real Estate/Infrastructure Information You Must Have

- Available Sites and Buildings
 - Available online
- Transportation Infrastructure
 - Roads
 - Rail
 - Airports
 - Ports
 - Pipelines



Real Estate/Infrastructure Information You Must Have

- Utility Infrastructure
 - Electric Power
 - Public Water
 - Public Sewer
 - Natural Gas
 - Telecommunications
 - Stormwater management

You must know about
Availability, Capacity and Costs

ASCE 2009 Infrastructure Report Card



- See handout for details
- Overall Grade: D
- 5 Year Investment Need = \$2.2 Trillion



Why Businesses Look for New Locations

Jim Plump will cover this in detail



The Site Selection Process

Jim Plump will cover this in detail

In General - A 2 Phase Process

- Phase 1 – Process of Elimination
- Phase 2 – Process of Comparison

Overview: Facility Siting Process

(Slide courtesy of McCallum-Sweeney Consulting)

Planning Phase

- Conception
- Feasibility
- Investment Decision

Phase I

- Alignment/Criteria
- Regional Analysis
(Areas of Interest)
- RFP
- Candidate Communities

Phase II

- Community Visits
- Site Evaluation
- Comparative Analyses
- Finalist Communities

Phase III

- Negotiations
- Evaluation
- Site Due Diligence
- Selection
- Announcement



Site Selection Evaluation Topics

- Market access
- Available sites & buildings
- Transportation
- Utilities
- Labor force
- Education
- Business climate
- Taxes
- Public facilities & services
- Quality of place
- Available capital & incentives
- Available supplies, parts, services



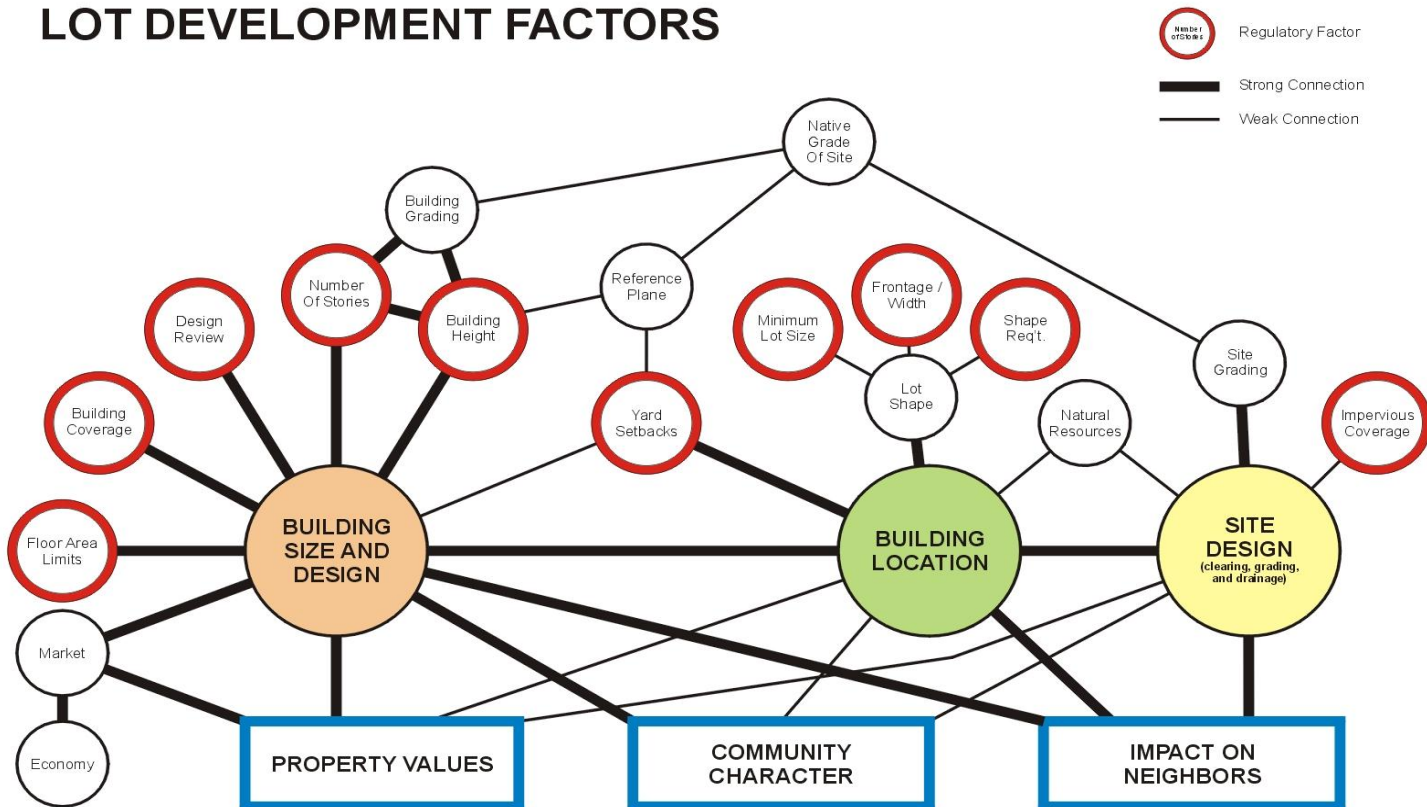
Important Point

- Real estate development takes place within the context of your community's development regulations and procedures
- How business-friendly are you?

Understanding Community Planning

A General Thought – This is Very Complicated

LOT DEVELOPMENT FACTORS





Major Elements of Community Planning

- Long Range Planning
 - Covers 10 – 20 year timeframe between changes
- Continuing Regulations
 - Implementation tools for long-range plan
 - Ongoing but subject to modification
- Short-term Plans and Strategies
 - Cover 2 – 5 year timeframe
 - May have annual updates



Long Range Planning

- Community Master Plan – Also known as a
 - Comprehensive Plan
 - Plan of Development
 - Plan of Conservation and Development
 - Any other similar terms?



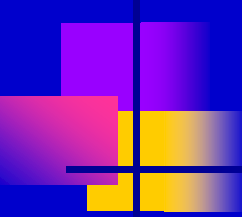
Continuing Regulations

- Planning & Zoning Regulations and Districts
- Subdivision Regulations
- Wetlands / Conservation / Aquifer Regulations
- Environmental Regulations
- Flood Hazard / Coastal Area Regulations
- Endangered / Protected Species Regulations
- Historic / Special District Regulations
- Design Regulations and Review
- Building & Life Safety Codes



Short-term Plans and Strategies

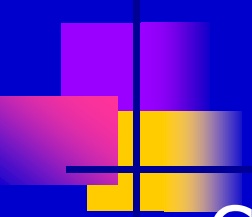
- Capital Improvement Plans/Budgets
- Annual department work programs and budgets
- Any other initiative that has a limited duration or is subject to frequent change
- Economic Development Strategies



Who is on Your Economic Development Team?

- Don't look at the next slides

Who is on Your Economic Development Team?



- Chief Elected Official
- Town Planner
- ZEO
- Building Inspector
- Fire Marshal
- Assessor
- Land Use Boards and Commissions
- Health Department
- Superintendent of Schools

Private Sector Players in the Real Estate Business

- Developers
- Property owners
- Equity investors
- Lenders
- Business owners
- Tenants
- Property Managers
- Real Estate Brokers
- Architects
- Engineers
- Contractors
- Attorneys
- Appraisers
- Many other types of consultants





Types of Real Estate You May Be Involved With

- Marketing of existing sites & buildings
- Adaptive reuse of older structures/
business districts
- Brownfield redevelopment
- Business/Industrial Park development
- Speculative/Shell Building development
- Business Incubator development/
operations

Understanding the Real Estate Development Process



- ❖ The Major Elements of a Property Development Master Plan
 - Pre-Development Considerations - Priority goals and development philosophies
 - Market analysis
 - Planning and engineering analysis
 - Financial analysis
 - Implementation plan



The Planning & Development Process

- ❖ Deciding to do the project
- ❖ Market Analysis
 - Do we have a project?
 - If so, what does it look like?
- ❖ Comparative site analysis:
 - Which of several sites is better?
- or-
- Can our site provide the characteristics the market is looking for?
- ❖ Conceptual site design(s)



The Planning & Development Process

- ❖ Gain control of site
- ❖ Complete master plan
- ❖ Prepare financial analysis
- ❖ Arrange financing
- ❖ Obtain permits and approvals
- ❖ Prepare bid specifications



The Planning & Development Process

- ❖ Select contractors
- ❖ Ground breaking ceremony
- ❖ Begin marketing
- ❖ Construct infrastructure
- ❖ Ribbon cutting ceremony
- ❖ Manage project during build-out
- ❖ Retire to St. Croix



The Essence of the Process

- ❖ The same thought process should be followed for any kind of development:
 - **Market analysis** to determine if there is a market and what the design features must be
 - **Planning and engineering analysis** to design it and make it fit the environment
 - **Financial analysis** to make sure it is economically viable
 - **Implementation plan** to make it real



You Can Use This Process For

- ❖ Greenfield development
- ❖ Brownfield redevelopment
- ❖ Building adaptive reuse
- ❖ Spec building development
- ❖ Shopping center development
- ❖ Most any other kind of development



Real Estate as a 2nd Language

- The real estate, appraisal and real estate law professions all have their own specialized terms and jargon – you need to understand it
 - See the handout
 - Go to Greg Last's "A Summary of Economic Development Terms" at
<http://www.ci.southlake.tx.us/siteContent/70/documents/Departments/EconomicDevelopment/Terms.pdf>



Other Useful Resources

- ❖ American Society of Civil Engineers
 - ❖ *2009 Report Card for America's Infrastructure*
<http://www.asce.org/Product.aspx?id=2147485985>
- ❖ Urban Land Institute (ULI)
Washington, DC, 202-624-7000, www.uli.org
 - ❖ *Business Park and Industrial Development Handbook*, Second Edition (2001), ULI Development Handbook Series
 - ❖ *Professional Real Estate Development*, Second Edition (2003)
- ❖ NAIOP (formerly the National Association of Industrial and Office Properties), Herndon, VA
703-904-7100, www.naiop.org
- ❖ IEDC *Real Estate Development and Reuse Manual*
www.iedconline.org or call OU/EDI at 405-325-3891

What Else Would You Like to Discuss?

