

Cities Deserve Better

A Brief Guide to City-Led Real Estate Redevelopment

By Joe Borgstrom, Principal

PLACE
+MAIN
A D V I S O R S



www.placeandmain.com

The Purpose of This Guide

Place + Main Advisors compiled this guide to help local communities understand the real estate redevelopment process. It is intended to provide a basic framework for community leaders to understand the role and power they have to make positive change. While presented as a step by step linear process, some steps may be done at varying stages not consistent with this timeline. In addition, there is full recognition that some steps may not be necessary at all or could be repeated numerous times, such as the development of the project pro forma and site plan review.

This guide presents the process in three distinct phases:

- Planning
- Pre-Development
- Development

The process as it is presented is somewhat flexible. Communities are urged to use it as a starting point and amend the process for their own purposes.

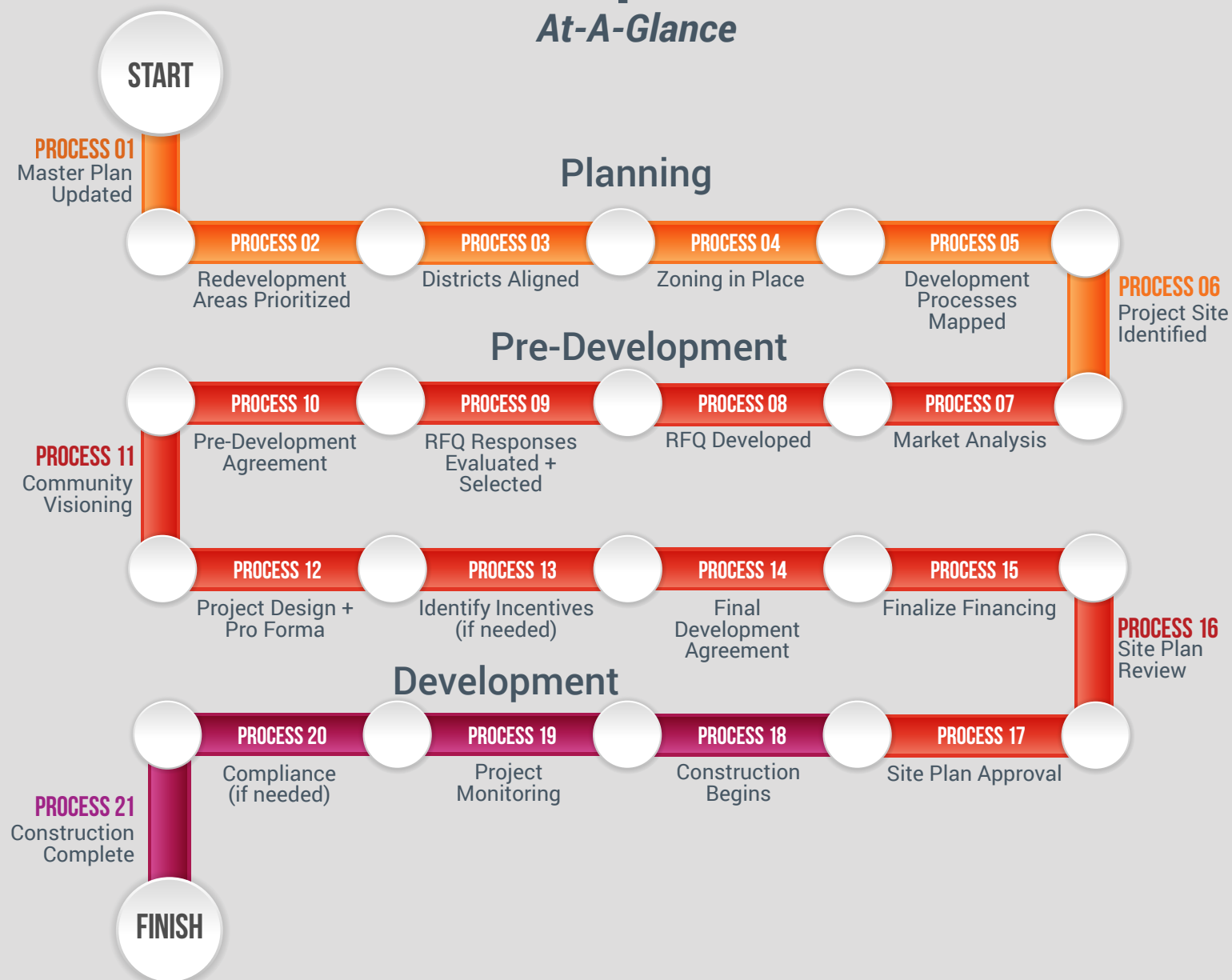
This document is the compilation of several source materials that have been absorbed by the author over the course of his twenty-five year career. Credit is due to several organizations for their work prior to this document, including the Redevelopment Ready Communities program of the Michigan Economic Development Corporation and the Charter for New Urbanism, both of whom had a heavy influence on the language used in this document.

Disclaimer: Place + Main Advisors, LLC is not a law firm and this guide is not intended to be construed as legal advice. Communities should consult their respective legal counsel if they have specific questions related to the application of this process.



The Redevelopment Process

At-A-Glance



Planning

The clearest pathway to an efficient development process is to dedicate time creating a thoughtful redevelopment plan. The planning process must be inclusive and engage a diverse set of stakeholders like residents, property owners, and businesses to build a unified vision for the community.

By undergoing a planning process that does not have the pressure of a project at the ready, a more balanced and carefully measured discussion can be had without fear of “losing” a project.

The Planning Phase includes:

- Master Plan Updated
- Redevelopment Areas Identified
- Appropriate Districts Aligned with Priority Areas
- Appropriate Zoning in Place



01 Master Plan Updated

The master plan is updated every five years to provide a community with a current and relevant decision-making tool. The plan gives the public sets forth a vision for the future, sets expectations for developers, while stating the community's goals. An updated master plan is essential to describe the types of development the community wants and the specific places where the community will concentrate resources.

04 Appropriate Zoning in Place

The City has adopted a zoning ordinance that aligns with the goals of the most recent master plan. The community should always review the master plan's zoning to determine if changes to the zoning map or ordinance are necessary to implement the master plan vision. The zoning ordinance also provides for areas of centralized development in the appropriate locations and encourages the type of development desired.

02 Redevelopment Areas Prioritized

The redevelopment strategy/plan identifies priority redevelopment sites, neighborhoods and/or districts (such as downtown, industrial parks, or areas for future development) as well as a Strategic Placemaking projects for each area.

05 Development Processes Identified

The zoning ordinance should articulate a complete site plan review process. Efficient site plan policies ensure a predictable experience when working with a City. Duplicative, unnecessary, or unclear processes increase time and expenses in real estate development. Cities should simplify and streamline policies, operate transparently and create an efficient process which is critical in attracting investment.

03 Districts Aligned with Priority Areas

Once priority areas are identified, communities should make sure the appropriate districts encompass the priority areas. Possible districts include historic districts, downtown development authorities or business improvement districts, enterprise zones, and brownfield areas.

06 Project Site Identified for Reuse

The site with either the highest priority or most desirable for redevelopment is identified. For the purposes of this guide, the assumption is made that this site is owned by the City with clear title. The City may wish to partner with a private property owner to facilitate redevelopment. It is highly encouraged the City and the property owner enter into an agreement that commits the property owner to sell the property at a predetermined price.

Pre-Development

The Pre-Development process is a critical time when all of the planning and preparation at the municipal level is put to the test. Clear municipal processes have been identified, zoning is in place and now the community wants to see something consistent with the approved master plan happen with the site. This stage will ultimately determine what becomes of the site, what it looks like and how it impacts the rest of the community.

The Pre-Development Phase includes:

- Market Analysis
- Request for Qualifications (RFQ) for Developer
- Request for Qualifications Response, Evaluation & Selection
- Pre-Development Agreement
- Community Visioning
- Project Design & Pro Forma Development
- Identify Incentives (If needed)
- Final Development Agreement
- Finalize Financing
- Site Plan Review
- Site Plan Review Approval



07 Market Analysis

The market analysis helps leaders determine the economic feasibility and potential demand for the articulated desired product. As it applies to a specific site, it helps to determine the types of businesses that could potentially inhabit the first floor (and potentially subsequent floors) as well as the types of housing units on upper floors. This allows the community to better integrate economic reality with its vision.

08 Request for Qualifications (RFQ) for Developer

This step involves development of the RFQ document and scoring criteria. The site at this point has a number of unknown land, market, and product elements, and is difficult for a city to seek out a detailed proposal from interested developers which has done sufficient due diligence. Different from traditional requests for proposals, a RFQ process can accommodate sites with such unknown elements – and are especially useful for redevelopment projects.

09 RFQ Response, Evaluation + Selection

This process step involves the review of responses of the RFQ. Often responders are asked to provide their organization and credentials, demonstrate experience, and financial capacity to undertake a project as described in the RFQ. If asked for a site plan, the request should be limited to a broad concept or rendering due to a number of unknowns for the site and little if any due diligence has been completed as well as community input has not been solicited.

10 Pre-Development Agreement

This process step involves undertaking the market, site, community, and product due diligence actions needed to convert the “unknowns” to “known.” These tasks are often performed under a pre-development period/agreement, in which the developer and municipality have certain obligations and the developer retains temporary exclusivity to the site. The objective is to create a development plan that has all or most due diligence complete, and has the endorsement of community stakeholders.

11 Community Visioning

The community creates a vision for the redevelopment site. This vision includes desired development results and specific development criteria. The selected development team participates in this visioning process to better understand the community’s desires for the site. (This step may be repeated as needed in a loop with Process Step 12.) By soliciting and integrating stakeholder input, this significantly increases the likelihood of a smooth site plan review and approval process.

12 Project Design + Pro Forma Development

The selected development team puts together a conceptual draft of the project and associated construction and operating pro forma to understand the estimated costs and revenues of the project. This step may require several iterations based on financial realities and community feedback. It is worth note that even if a financial gap exists it does not mean the project cannot move forward.

13 Identify Incentives (If needed)

It is possible that a project would be proposed that both the community and developer want to create, but a gap exists in the financial projections that make the project difficult to do. In these instances there may be a number of local and state incentives that could potentially be brought to bear to fill this gap, depending on the specific situations. Many incentives address public infrastructure surrounding a project (like water and sewer capacity, parking lots or decks) but in some instances can be used toward the development itself.

15 Finalize Financing

Once the development agreement is finalized a developer will then finalize their financing with their financing partner(s). This finalizing could include formal awarding of various incentives as well as the closing of a bridge or construction loan and a plan for permanent financing once the project is completed. Depending on the number of lending sources, this could be a step that requires some time to complete.

14 Final Development Agreement

At this stage the end product is known in greater detail, as are development costs, probable tenants, and what incentives (if any) will be pursued. To formally enter in the next stage, the community will need to finalize the development agreement with the developer. Both parties will be formally responsible for meeting respective deadlines and commitments with penalties for missing them. It is recommended that a community require a developer to purchase a performance bond in order to help insure timelines are met.

16 17 Site Plan Review + Approval

These are the final steps at the community level prior to the start of construction. Preferably as established through a sound Planning (Process Steps 01-05,) this step is done ideally through an administrative review process by planning staff if the plans are consistent with the local plans and the outcome of the visioning process. Alternatively, this would be the formal public hearing stage in front of a planning commission and local elected leaders.



Development

The Development Process is the last stage of the timeline and is where planning and pre-development pay off in the successful completion of a placemaking project. However, while the major public hurdles have been met, communication still is critically important between the development team and the community. Regular meeting should still take place during each of the steps to insure all parties are meeting their respective obligations under the Development Agreement.

The Development Phase includes:

- Construction Begins
- Monitoring
- Compliance (If needed)
- Construction Complete



18 Construction Begins

The formal start of the construction phase. Workers and equipment are on site and in use and the project is physically underway. Typically, communities will host a formal “shovel ceremony” to help celebrate the start of the construction project.

19 Monitoring

The development will need to be monitored on a number of fronts including making sure the project meets the development agreement and approved site plan as well as any reporting that needs to be done for various incentives as the project progresses.

20 Compliance (If needed)

Documentation for various incentives will need to occur during this time and may affect the project’s standing with various partners. Needed documentation will vary depending on what incentives, if any, are used.

21 Construction Complete

Once construction is complete a community celebration is in order! A formal ribbon cutting and tours for members of the community are recommended. It’s important to celebrate the success of a redevelopment process done right!



PLACE
+MAIN
A D V I S O R S
www.placeandmain.com

