

# TOD and Joint Development: A Developer's Perspective

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# Predevelopment Stage: Developer Cash/Equity

- Match site and use
  - (market studies, traffic studies, brokers)
- Get control of land
  - (lawyers, brokers)
- Get commitment from user/spec
  - (lawyers, brokers, designers)
- Get entitlements/zoning
  - (designers, engineers, lobbyists, attorneys, PR)
- Due diligence/Buy ground
  - (attorneys, engineers)
- Secure financing
  - (financial analysts, attorneys, loan fees)

# Development Stage: Debt Financing

- Design Project
  - (architects,engineers)
- Obtain Site Review approval from City
  - (architects, engineers, lobbyists)
- Construct Project
  - (contractors, architects, engineers)
- Market project
  - (advertising, PR, philanthropy)
- Lease project
  - (brokers, attorneys)

# Stabilization Stage: Payback

- Manage the project
  - (property managers, attorneys, operating expenses)
- Repay debt
- Sell project
  - (attorneys, brokers)
- Realize profit!!

# Complexity

- Single tenant, single use, private
- Multi-tenant, single use private
- Multi-tenant, multi-use private
- Multi-tenant, multi-use, public-private financing
- Multi-tenant, multi-use, public-private financing, public landowner and/or tenant

# Single Tenant, Single Use, Private Building



- Single family residence
- Single user industrial
- Single user office
- Lowest complexity
- 9 months-2 years



# Multi-Tenant, Single Use, Private



- Apartment building
- Office building
- More tenants to secure—more complex
- 2-3 years

# Multi-Tenant, Multi-Use, Private



- First floor retail with residential/office above
- Different types of leasing, different types of construction, atypical zoning
- 2-5 years



# Multi-Tenant, Multi-Use, Public-Private Financing



- Office/residential over retail
- Public benefit such as affordable housing, historic preservation, TOD
- Public process, special requirements for “fair return” on public monies
- 3-5 years

# Multi-Tenant, Multi-Use, Public-Private Financing, Public Landowner and/or Tenant



- Air rights development such as residential/office over civic use such as transit, city facilities, library, etc.
- More public design, security, leasing complexities
- 3-7+ years

# Development Economics

Project Value – Project Cost = Project Profit

Project Value: Lease Income x “Risk Multiple”

Project Cost: Hard costs (construction) +  
Soft costs (design, financing, OH)

# Key Development Issues

- Market demand
- Land acquisition
- Entitlements
- Parking
- Mixed-use buildings
- Financing
- Phasing
- Public private partnerships
- Risk-return trade off

# TOD/Joint Development Issues

- Transit does NOT make the market!
- Acquiring and holding enough land
- Reconciling market forces and planning visions
- Parking costs—more of it, structured or below grade
- Cost of delay in public processes
- Public sector understanding a “fair deal”
- Lack of joint development expertise in public agencies

# TOD/Joint Development: The Appeal



- Mechanism to secure key urban sites
- Taps into demographic and market forces
- Aligns with public vision and objectives



# The Appeal...

- Smart growth—  
potentially easier to  
entitle
- Potentially higher  
returns in long run
- Still a small universe  
of competitors





# TOD/Joint Development: The Challenges



- Projects more complex, expensive to design, entitle, build, lease
- More up-front equity required, longer hold period until stabilization and returns

# The Challenges...

- Public asset—  
potentially *harder* to  
entitle
- Unpredictable,  
expensive,  
complicated public  
process
- Need higher returns to  
absorb cost/risk



# A Joint Developers Wish List

- Healthy market demand
- Transit agency owns all the land needed at station
- EIS provides enough flexibility to respond to market conditions
- Agency/City have collaborated on a conceptual Station Area Plan based on market realities
- Site has appropriate zoning in place

# A Joint Developers Wish List

- RFQ-RFP is clear, realistic; selection efficient, fair
- Transit agency negotiator has joint-development expertise
- Transit agency realizes the project and the developer must make a market profit
- Transit Agency willing to balance transit operations and real estate requirements

# A Joint Developers Wish List

- Relationship of mutual respect and trust between Agency and developer
- Agency realizes development involves surprises, delays, changes
- Agency and City partner with Developer to advocate for development
- Agency helps find grants/assistance for public amenities



# Final Thoughts for the Public Sector



- You can't and don't make the market!
- All developers are NOT alike
- Pick a partner you trust
- Understand the timelines
- Share the risk
- Manage the process
- Hire the expertise