The Developer Perspective
Katherine Perez & Marilee Utter
Marilee Utter

- President Citiventure Associates, LLC
  Denver, Colorado

- The Denver, Colorado-based real estate advisory firm specializes in public-private transactions with particular expertise in Transit-Oriented Development and mixed-use villages.
TOD and Joint Development: A Developer’s Perspective on Success

Marilee Utter
Citiventure Associates

Railvolution
Nov. 2006
Is it a Good Investment?

- Public capital finances transit; private capital finances TOD.
- Most development money is institutional.
- The project *must* show profit.
- Risk-return trade-off.
- Would *you* invest??
Development Economics

Project Value – Project Cost = Project Profit

Project Value:  Lease Income × “Risk Multiple”
Project Cost:   Hard costs (construction) +
                Soft costs (design, financing, OH) +
                Land cost
Development Economics

Project Yield = \frac{\text{Project Profit}}{\text{Cash investment}}

Key to profitable development: OPM

TOD yields: 12-16 %
Developers See Projects in 3 Phases:

1. Predevelopment
2. Development
3. Stabilization
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!!
Project 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
A Developer’s Successful TOD

- Land assembled
- Predictable process
- Public investment for the regional amenities
- Knowledgeable, sophisticated public partners
- Cash on cash yield of 12-16% by year 4
Development Champions

• Role of the Public Sector
  – Work with community to set long term vision
  – Identify priority development areas
  – Implement meaningful entitlements/incentives
  – Regulate design over use

• Role of the Private Sector
  – Bring capital and expertise to implement vision
  – Make reasonable profit in short term
LET'S GO !!

Marilee Utter, CRE

Citiventurellc@msn.com

303-534-6620
Katherine Perez

- Vice President of Development, Forest City Development, Los Angeles, CA
- Ms. Perez was the co-founder and Executive Director of the Transportation and Land Use Collaborative (TLUC) of Southern California. A nationally recognized non-profit that promotes greater civic involvement in planning and development.
Transit Oriented Development
A Developer’s Perspective

Katherine Aguilar Perez
Vice President, Development
Forest City Development

November 6, 2006
Win-Win-Win TOD

• City gets what it wants
• Developer gets what she/he needs
• Community gets new value investment in neighborhood
Common Public Sector Mistakes

- Not helping with land assembly
- Requiring retail on every street
- Requiring all vertical mixed-use
- Not understanding density
- Changing the process mid-way
- Requiring too much parking
Common Public Sector Mistakes

- Investing in the wrong developer
- Expecting the developer to determine the use
- Not insisting on great design and materials
- Not prioritizing the pedestrian FAR into the neighborhoods
- Not prioritizing values of sustainability, affordability
TOD Implementation

• Short Analysis
• Market
• Land
• Leadership
• Drivers
  - Cost of Land
  - Cost of Construction
  - Sales price
Development Champions

• Role of the Public Sector
  – Work with community to set long term vision
  – Identify priority development areas
  – Implement meaningful entitlements/incentives
  – Regulate design over use
  – Establish predictable process for decision making

• Role of the Elected Official
  – Support the vision and ensure political backup
  – Run interference with the public
Development Champions

• Role of the Private Sector
  - Bring capital and expertise to implement vision
  - Build the vision of the community by involving public in the design of the development
  - Don’t cut corners
Development Champions

• Role of the Not For Profit Sector
  - Call the question
  - Convene the players
  - Initiate thoughtful planning
  - Educate the community
  - Insist on good design
  - Advocate for good projects
  - Support elected officials
Words to Live By...
Doug Porter

✓ Choices
✓ Connections
✓ Collaborations