



# CONCORE INSIDER

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## DRIVING YOUR DEAL CLOSER TO REALITY

### PRE-DEVELOPMENT

#### Phase 2

Design, Budgets and Securing Entitlements

*Did you read the last issue of Concore Insider? If so, you discovered that as a real estate property developer, you'll need to wear many hats to get your project completed. And although it's not required to hold a specific degree or professional certification to develop property, you WILL NEED a fair amount of business experience and real estate knowledge to succeed.*

*In that issue I emphasized that the process to launch a real estate development begins with an idea that will ultimately become a fully developed residential or commercial property. It will require the involvement of many key players that include architects, landscape architects, civil and geotechnical engineers, site planners, land-use and other real estate attorneys, environmental consultants, surveyors, lenders, investors, general contractors and subcontractors.*

*In this issue of Insider I'll dive deeper into Pre-Development with Part 2, demonstrating how to take the process through the next steps that include the designing of conceptual plans and renderings, preparing pro-forma budgets and securing approvals from government agencies.*

### Visualizing Your Idea

You won't need the whole team to transform your idea into a visual concept — not just yet. The key team members involved now will be your architect and geotechnical and civil engineers. They'll prepare your preliminary Schematic Designs (SDs) —plans and elevations that represent about 50% of Design Development (DD) prior to entitlements. Those designs will be based on your initial project ideas



and core features, taking into account how they fit into the target property's limitations or opportunities that were defined in Phase 1.

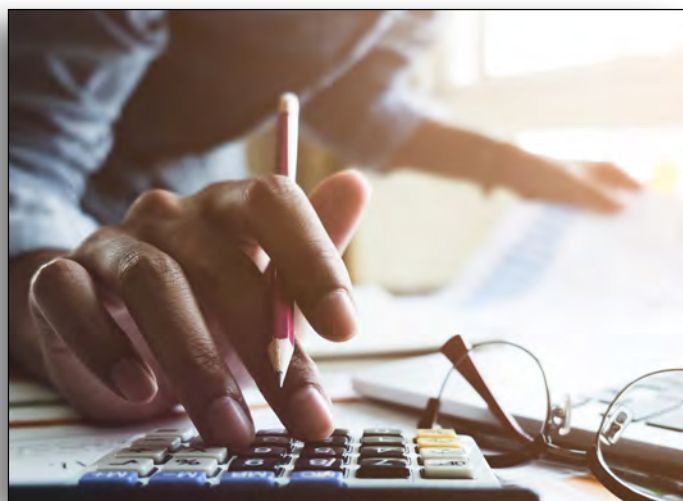
Having initial architectural renderings as well will provide a vivid visual snapshot of the proposed finished project, particularly to those who are

unfamiliar with it or unaccustomed to reading plans. Renderings bring life to a project and make it far easier for many to visualize a proposed development. They're particularly useful for presentations to lenders, investors and municipal planners. Bottom line: don't take a step further without good, representative renderings. They'll assist greatly in marketing a project and in gaining acceptance and approval!

## Be Organized and Document Everything!

make the overall numbers work — at least initially. More detailed pricing will come later in the Construction Phase.

When preparing your budget, use site analysis, concept designs and renderings to collaborate with your team, including your general contractor and sub-contractors. Define all the specific costs that will be needed to complete the project, estimated costs for particular improvements and additional fees, etc. You'll need rough figures for all current unit costs and prices per square foot, even though they will likely change by the time you're ready to start spending. That's why



### Budgets & Financial Model

#### PREPARE YOUR BUDGET

*This is the point at which you'll want to make damn sure that your deal works financially!*

Before acquiring your designated property, you'll need to prepare a rough budget for the development, along with an overall financial model. The

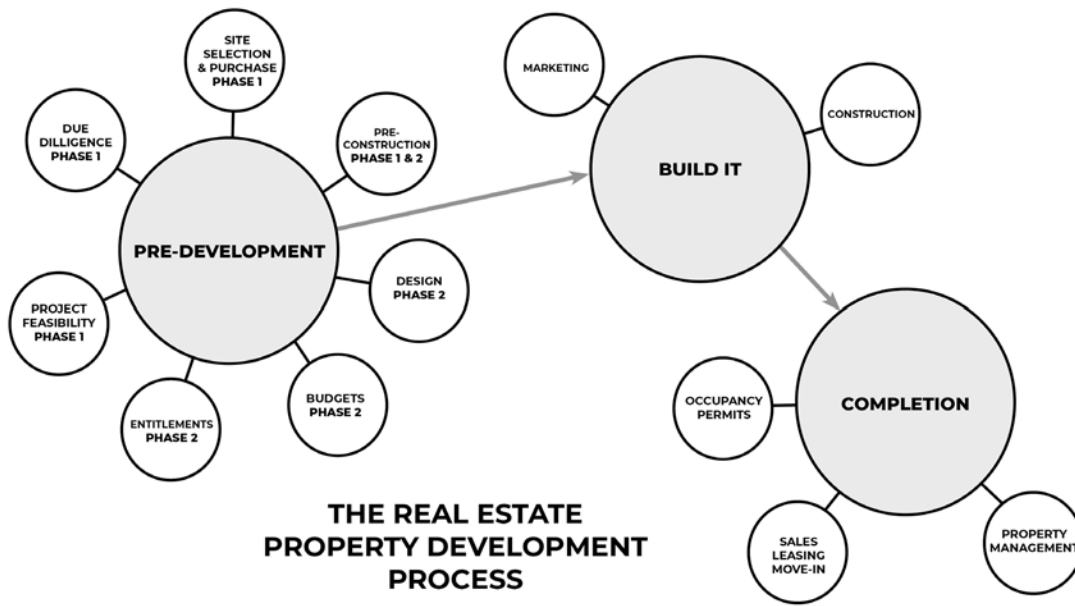
You'll want to make damn sure that your deal works financially!

preliminary budget, or pro-forma analysis, calculates the projected financial return that the proposed development is likely to produce. Layout the project in quantifiable terms — this is where you'll need to

## Make Sure That All The Components of The Deal Fit.

it's so important to have a contingency of at least 10% and often more to allow for labor and material cost volatility. These days, when many vendors are only willing to hold prices from 10 to 30 days, it's nearly impossible to lock-in pricing for materials. Having an ample contingency will assist in mitigating potential budgeting surprises ahead.





use or neighboring sites. Any contamination showing up in these reports could negatively impact the property's value or limit its use, so vigilance here is key.

And before you submit your project to your local planning authority, you'll need to have your architectural and engineering drawings and renderings complete and ready to submit for approval.

**FINALIZE YOUR FINANCIAL MODEL**

*Gather all the projected upfront and back-end costs and determine a reasonably accurate proposed overall cost to build.*

Be sure to consider the revenues that are likely to be earned, the total costs that will be incurred, and ultimately the financial return you're most

## Always Be Proactive!

likely to see. If you can't make the numbers work at this point, roll-up your sleeves and find solutions to ensure that you end up with a deal that truly makes complete financial sense all around.

### Entitlements

**PRELIMINARIES**

Although they're not needed to get entitlements, you'll want to make sure that you have the geotechnical report and survey of the property that were performed previously. You'll also want to prepare an Environmental Site Assessment (ESA) — an environmental due diligence report prepared for real estate transactions such as land and building purchases, with the primary purpose being to ensure there is no soil or groundwater contamination from previous

**SECURING ENTITLEMENTS**

When first approaching your local planning department with preliminary drawings and renderings in hand, try to get your project assigned to a



specific planner that you can consistently work with throughout the permit process. Having this rapport will provide a more productive flow through the red tape that's inevitably ahead. You'll pay the mandated fees to process your application and will then need to submit all of the required reports, initial designs and conceptual renderings for the planning department's review and consideration.

Be ready to present your project to the community directly and at one or more closed and public planning commission hearings for certain types

of developments. Be prepared to revise any docs, details, plans or renderings that planners may return, revise as requested, and submit any additional information required. But remember, if you've assembled a crack team of pros as I recommended in the last issue of Insider, you'll greatly reduce the likelihood of that occurring. Securing your entitlements are a huge milestone — but it's the first of more milestones to come!


#### **MORE MILESTONES AHEAD**

It may take some time to finally receive entitlements, but once you get to that point, you can proceed with the balance of work that remains to complete your Design Development (DD). It's where the schematic plans and elevations are reviewed, revised and expanded to incorporate all the details and specifications required for construction.

Once that's all accomplished, you can move full-speed to complete your Construction Documents (CDs). With 100% of your Design Development completed you can start bidding and begin negotiations with general contractors (GCs) — but

the final price and contracts with GCs will come into full play when roughly 85% of your Construction Documents are completed.

#### **Finally — Time For Kick-Off**

In the next issues of Insider, I'll do a deep dive into the Pre-Construction and Construction Phases, where the skills, talent and knowledge your full team possesses will be elicited — transforming what began as an intangible idea in to a tangible reality. I'll walk you through each step — from contracting a general contractor to the many ways of dealing with unexpected challenges that are guaranteed to appear out of nowhere. *See you in September!* 

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*Got a topic you'd like to see covered in a future issue of Insider?*

**Contact Me!**

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## **CHOOSE THE RIGHT TEAM**

***“Getting A Successful Deal Launched Can Be Pretty Straight Forward  
— But You’ve Gotta Have The Right Team”***

What I've described in this issue of Insider vividly demonstrates how Concore plays a critical role as a key project advisor to investors and developers, serving as their expert guide and counselor from the moment ideas for a development are conceived to the final day when tenants and buyers occupy a development.

Side-by-side with comprehensive management services for sensible, practical and sustainable real estate developments in the greater San Francisco Bay Area, Concore dedicates its vast construction knowledge and experience to the contracting and management of interior commercial tenant improvement projects, ranging from warehouse conversions and professional office spaces, to a variety of retail and restaurant sites.

So when first considering your next real estate development or, if you're looking for an experienced, quality-driven commercial contractor to take charge of a design-assist or design-build project, look to Concore for comprehensive, tailored construction solutions.

**Make Concore A Member of Your Team!**

**Contact Us For A Complimentary Project Review**

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