

Transit Alliance Citizen Academy Presentation

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jm+a represents **McCormack Baron Salazar, Inc.** in Colorado.

MBS is the nation's leading for-profit developer of economically integrated urban neighborhoods, having developed 122 communities in 26 cities, with development costs in excess of \$1.7 billion. The firm specializes in HOPE VI (20) and TOD projects (3), and has developed over 14,000 residential units and over 1.1 million SF of commercial space.

- I. Introduction and background
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Proposal for a Transit Oriented Development Policy Study for the Denver University Burns School of Real Estate

- **Concept:**
- To establish a short term research and analysis effort aimed at providing significant policy direction to decision makers around various issues relative to real estate development near mass transit. The goal is to implement a rational process of planning, designing, and allocating resources for new construction projects in proximity of light rail station areas, otherwise known as Transit Oriented Developments, thereby, maximizing the community benefit of public and private investment.

- **Issues:**
- **Housing:** The rising cost of transportation, coupled with already expensive housing, has become the last straw to break the back of working families. Proximity to mass transit, particularly Light Rail, is essential for the strategic placement of affordable housing at or near station areas as **FasTracks** evolves throughout the metro region. Residents at TOD sites have the advantage of accessing jobs throughout the region, without the need of a car, thereby reducing living costs, urban sprawl, and our dependence on fossil fuels.
- **Commercial:** Not every TOD will become a Gates Factory-type redevelopment. The scale and content of each station location will vary, as they should. These sites need to provide the appropriate transition of uses, i.e., new concentrated mixed uses blending into an existing neighborhood context with improved infrastructure and public amenities.
- **Public Spaces & Infrastructure:** The scale of new TOD activity is unprecedented in our region and the opportunity for increased public facilities needs to be evaluated and proposed, with equal or greater importance, for every private sector development project. Too often, without guidance, a developer may determine the placement and design of these elements only within the context of their specific project. Who represents the greater community position?

Our community has a unique opportunity to establish both a public process and an implementation mechanism to address such concerns, and help guide RTD and local decision makers as they create policies for the build-out of these important urban centers.

- **Stakeholders:**
- FasTracks is a publicly-funded initiative, providing huge subsidy for the expansion of the light rail system. **Taxpayers** not only expect to have improved access to the system, but also, that the “public good” will be evident in the transformation of the environments around the stations. The **municipalities** covered by the system should be concerned about gentrification, displacement, inclusionary housing, traffic patterns, economic development, and other planning issues. **Developers** are currently faced with challenges around market demand, housing needs, infrastructure, and the lack of planning policy for TOD’s. **RTD** is charged with the selection and preliminary planning of station areas, disposing of real estate assets, increasing ridership and managing the system. **Workforce families, the elderly,** and others of limited income need the mobility provided by public transportation to survive and participate in a productive way in our community.

- **Action:**

- An independent, third party entity is needed to review, analyze and propose a TOD development strategy for the metro region. Perhaps the establishment of a **RTD Development Authority**, an independent appointed body that could serve as the administrative vehicle to negotiate real estate transaction on behalf of the transit company, is one option. Using the input from stakeholders, and primarily practicing developers, this entity could produce a realistic approach to balancing housing, community, and commercial needs respective of the inherent development pressures of a TOD site. The feasibility and statutory requirements of such an entity needs to be researched and reported, followed by an Action Plan for implementation if warranted.

- **Proposed Process:**

- A small consultant team could produce, within a year, the feasibility of this approach and subsequently, a TOD policy guide for consideration by RTD and local leaders.
- The consultants will create real world development models, addressing mixed use scenarios with diverse housing components. These models will suggest housing types, densities, income levels and subsidy needs. Working with RTD and planning staffs, they will also review inclusionary requirements and incentives, and other local housing strategies in relation to TODs. Most importantly, the team would review what tools are needed by the development community to implement local strategies and complete successful real estate ventures.

Addressed in the evaluation, would be issues such as:

- Creation of a Development Authority
- Land banking
- Parking concerns and revenue potential
- Mixed use strategies
- Affordable housing requirements, subsidies & incentives
- Neighborhood assimilation
- Overlay planning
- Affordable housing financing

- **Outcomes:**

- This process will produce a clear understanding of the dynamics of TOD, and help communities reach their economic development, affordable housing and sustainable neighborhood goals.
- If recommended, a guide of initial steps to creating a RTD Development Authority will be proposed.
- Developers will be provided specific directives and planning guidelines, and the ability to negotiate for the appropriate entitlements early on.
- Neighborhoods will evolve in a more rational way, relevant to localized need.
- RTD will be more successful in reaching their ridership and financial goals, and in maximizing their return from assets.
- A wider range of housing types, serving more diverse markets, will be produced at station areas.

Ultimately, private developers will undertake the build-out of over 50 TOD's identified along the light rail line. How they go about this process depends on the vision and development policies imposed by RTD and local government. An objective analysis of best practices and community needs would benefit both decision makers and developers, and provide much needed **predictability** in project planning.

in motion

Transit Oriented Development (TOD)


MCCORMACK BARON SALAZAR

Metro Hollywood Apartments

As part of its core mission to rebuild neighborhoods in central cities across the country, McCormack Baron Salazar (MBS) integrates transit-based strategies into its overall development approach. Whether siting residential and/or mixed-use developments adjacent to light-rail stations, or partnering with local transit authorities to better service its communities, MBS believes that successful mixed-income communities must provide appealing public transportation options for residents. By programming sites with an appropriate density and providing direct, superior connections to public transit, MBS' urban in-fill communities decrease dependence on the automobile and promote healthy living among residents.

MBS Transit Oriented Development Principles





- Create appropriate density to maximize ridership of transit facilities
- Decrease reliance on the automobile
- Provide superior public spaces and connections to bus/light rail stations
- Encourage a mix of uses through TOD
- Develop mixed-income housing adjacent to transit facilities
- Engage local residents and stakeholders to determine community transit needs
- Recognize special market characteristics of TOD sites
- Capitalize on public-financing expertise to deliver first-rate transit connections
- Collaborate with local governments and transit authorities



on the move

Metro Hollywood Apartments
Los Angeles, California





MCCORMACK
BARON
SALAZAR

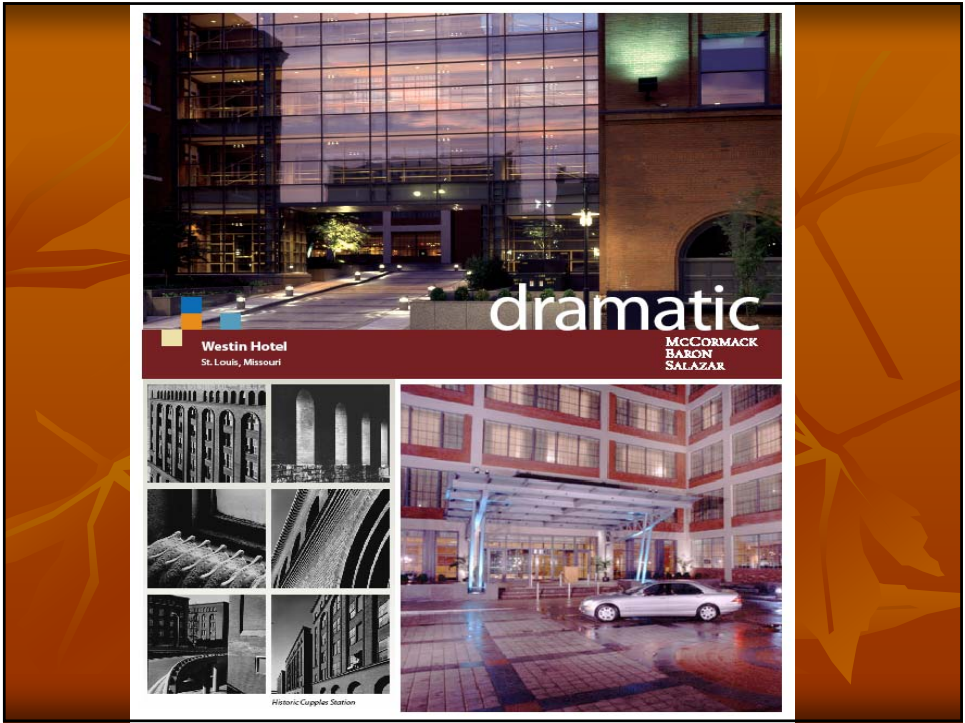





access

Parsons Place
East St. Louis, Illinois

MCCORMACK
BARON
SALAZAR



Case Study: Life Development Institute Residences
Developing and Financing
120 Units of New Mixed-use Affordable Housing



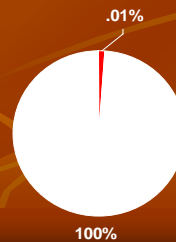
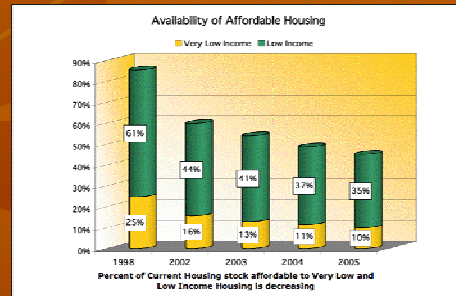
Exemplar mixed-use affordable residential and commercial

Development Process

Step One - Assessment

Assessment Timeline: 1-2 months
 Development Timeline: 1-2 months

- Evaluate affordable housing needs of LDI and the community at large
- Identify existing funding and partnership resources
- Identify potential partnerships and links to community, economic, health and wellness opportunities
- Identify pre-development funding sources



Development Costs
 Step One: \$24,000-36,000
 Project: \$24,000-36,000
 .01% of Cumulative Development Cost
 8% of Projected Development Timeline

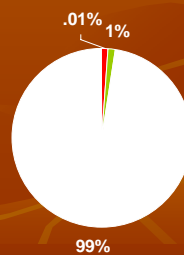
■ Assessment
 ■ Entire Cost

Step Two - Feasibility

Feasibility Timeline: 2-3 months
Development Timeline: 3-4 months

- 3 types of feasibility:
 - Physical
 - Financial
 - Legal
- Physical Feasibility
 - Establish site requirements
 - Evaluate technical considerations such as zoning, platting, rehab
 - Evaluate environmental issues
 - Concept planning for site and building including mixes of use
- Financial Feasibility
 - Determine availability of public and private resources
 - Cost estimates and budgets
 - Determine market impact, rent levels and demand
- Legal Feasibility
 - Contract negotiations and control costs
 - Compatibility with neighborhood groups and land use policies
 - Acceptance by community

■ Funds spent past this point can not be recovered if it is determined that the development is not feasible.



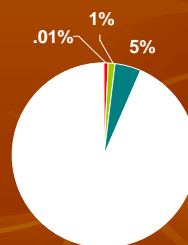
Development Costs
Step Two: \$100,000
Project: \$136,000
1.1% of Cumulative Development Cost
20% of Projected Development Timeline

■ Assessment
■ Feasibility Phase
■ Entire Cost

Step Three - Pre-Development

Pre-development Timeline: 6-7 months
Development Timeline: 9-10 months

- Apply to various funding sources for development and operating subsidy
- Identify potential development sites; initiate site control
- Obtain acquisition and construction financing
- Finalize site plans and necessary zoning/building permits



Development Costs
Step Three: \$500,000
Project: \$636,000
6.1% of Cumulative Development Cost
50% of Projected Development Timeline

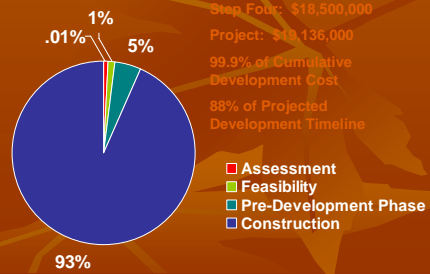
■ Assessment
■ Feasibility
■ Pre-Development Phase
■ Entire Cost

Step Four - Construction

Construction Timeline: 9-15 months
 Development Timeline: 20-25 months

Depends on factors such as:

- Skill of development team and contractor to avoid schedule overruns
- Unanticipated delays due to technical challenges not identified during pre-development process
- Labor and material availability
- Inspection and certification performed by each funding source



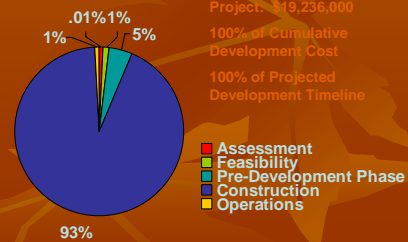
Development Costs
 Step Four: \$18,500,000
 Project: \$19,136,000
 99.9% of Cumulative
 Development Cost
 88% of Projected
 Development Timeline

- Assessment
- Feasibility
- Pre-Development Phase
- Construction

Step Five – Completion and Lease-Up

Completion and Lease-up Timeline: 3-4 months
 Development Timeline: 22-28 months

- Certificates of occupancy and delivery to operations management team
- Lease-up units and coordinate move-ins
- Establish asset management compliance reviews
- Coordinate and implement resident programs
- Dedication of property and placement in-service



Development Costs
 Step Five: \$100,000
 Project: \$19,236,000
 100% of Cumulative
 Development Cost
 100% of Projected
 Development Timeline

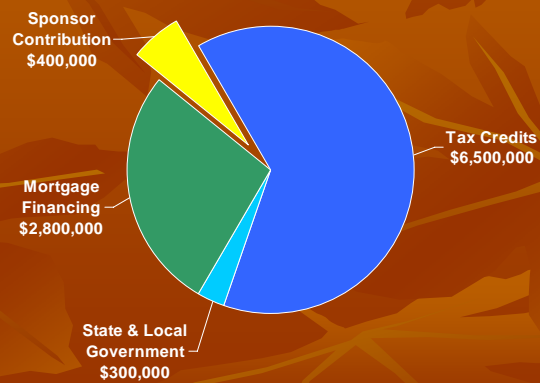
- Assessment
- Feasibility
- Pre-Development Phase
- Construction
- Operations

Development Costs



The Importance of Sponsors

\$1 contributed leverages
\$25 for a \$10,000,000 Deal



Risks

- Initial Planning Fees

Consultant fees for assessment & feasibility	\$ 34,000	\$ 96,000
Prelim. expenses; site selection, building program		\$130,000

- Pre-development Costs (Initial)

Design & engineering	\$ 75,000
Funding strategy; applications	\$ 50,000
Land options	\$ 50,000
Legal	\$ 25,000
	\$200,000

Total \$330,000

Funding Sources (LDI, Piper Foundation, Co-sponsor, public subsidy, Equity investor, LISC, and other relationship partners)

- Partnership Loans & Guarantees
- Construction Loan
- LIHTC Compliance
- Operations & Property Management

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