

# Strategic Dispositions

Development Advisors, LLC (“Advisors”) believes that we can achieve a substantially higher selling price for most commercial properties or land and a higher probability of timely closing if such assets are first investigated by Advisors as a potential development, redevelopment or renovation project. Our objective is to create value by defining the potential development or redevelopment scenarios available to potential buyers of our Client’s property. In other words, we create the upside “story” or investment opportunity for our Client’s property.

As opposed to a typical commoditized listing approach, Advisors’ Strategic Disposition approach keeps our Client in better control of their own property and puts them in the position of ultimately being able to select a buyer from among a prequalified audience of buyers who have been educated about the development or redevelopment potential of the subject property.

Advisors approach usually results in a substantially higher purchase price, shortens the buyer’s due diligence and entitlement periods and positions our Client with one or more solid backup buyers in the event that the selected buyer does not perform or seeks to renegotiate aspects of its contract to purchase. Importantly, Advisors’ Strategic Disposition approach also ensures that our Client is not stuck with a tainted or de-valued property if a selected buyer fails to adequately perform its due diligence and entitlement responsibilities.

In the case of selling land, Advisors often advocates that our Clients go so far as to have us obtain at least some level of governmental approvals (entitlements) prior to selecting a buyer. Although this involves some time and expense, it avoids the typical listing approach where a seller puts all of its “eggs in one basket” by allowing one buyer to tie up a property for a long time while it seeks to obtain governmental approvals for its specific project. This typical listing approach generally transfers the negotiating leverage to a buyer and leaves the seller with significantly less negotiating leverage over time. In these situations, it is not unusual to see a seller held hostage by the delay of starting over again with a new buyer as the contract purchaser extracts eleventh-hour price reductions or protracted closing extensions.

The traditional listing approach, as executed by brokerage firms, can only offer a “quick close” alternative in which the seller does not accept buyer entitlement contingencies but in turn provides a substantial price discount. In contrast, the Strategic Disposition approach leaves our Clients in control and usually results in higher prices rather than discounted prices. For a significant building or land parcel, this difference can amount to millions of dollars for our Clients.

The Strategic Disposition process advocated by Advisors includes the following key tasks:

- Advisors start with a Highest and Best Use Study of the asset and a detailed market analysis of the trade area. We also analyze competitive properties in order to determine what uses and users might still be available in the market for a given property’s location and potential uses (especially key for retail and residential land).



- We meet with key stakeholders including elected municipal officials, municipal planning staff, neighborhood leaders and others we identify in order to be able to predict the extent that various redevelopment and rezoning scenarios can ultimately be approved.
- Utilizing its working relationships with architects, land planner and civil engineers, Advisors then conceptualizes a future new ground-up project or building redevelopment or renovation project including the preparation of a proforma cost model.
- We analyze comparable sales and rents to determine the likely market values for a new or redeveloped building or zoned land parcel.
- As part of creating a concept plan for the property, we actively seek out the input of potential end-users and buyers (prospective tenants, real estate agents and vertical developers) to affirm that the evolving concept plan maximizes the value of the property. This step often allows us to initiate conversations with buyers and developers who are not currently in the Client's local market but who may be looking to expand there.
- We "back into" the building or land acquisition value that the finished product can support and provide a market profit margin for the developer buyer. In other words, we estimate what a prospective buyer developer should be willing to pay for the existing property by determining the eventual selling price for the improvements.
- Once a supportable value has been determined, Advisors initiates a tailored closed bid selling effort to a targeted group of qualified developer, investor and user candidates. We create and release a detailed Investment Package to these selected purchaser candidates. Sometimes, the earlier steps in the process allow us to identify a small group of qualified buyers with whom we can enter into accelerated direct negotiations on behalf of a Client.
- In many situations, a Client may elect to have Advisors obtain some or all of the necessary governmental approvals for a range of development or redevelopment scenarios, which further increases the value and marketability of any given asset. In today's market where cities and counties generally favor mixed-use and flexible zoning, it is in fact possible to create a development plan and obtain the associated zoning that will allow for a wide range of uses and development scenarios.
- Even where zoning or project entitlements are not formally pursued, Advisors often creates substantial value by initiating related conversations with public officials and planning staff. The feedback from these conversations is critical for the Client to be well-informed and equipped to select the best strategy.
- A key part of the entitlement process, even where entitlements are only informally discussed with the staff and elected officials, is Advisors' investigation of the potential public/private financing structures that may be available to boost the value of the property. These include urban renewal districts, tax-sharing agreements, special improvement districts, and various tax credits.
- In some cases, these steps may also result in a Client's opportunity to participate in the joint venture development or redevelopment of its property, thereby further increasing its profit potential and deferring its tax obligations.

- During this process, our Client communications are ongoing and collaborative. As an advisor to our Clients, we generally try to define for them the costs/benefits of different alternatives and each subsequent step in the process.

Management of the Strategic Disposition process typically draws on Advisors' skill sets in its other specialties, particularly the Land and Development areas.

A partial list of our Strategic Disposition clients includes:

- Oakwood Homes (162-acre South Academy Station where mixed-use entitlements that differed from the Client's original assumptions created a profit for the seller in excess of \$50 million)
- Cherry Creek Community Church (high-end residential land sale maximized sale value: \$4.9 million sale);
- E-470 Highway Authority (master developer competition based on partial design of 6 service plazas with up to 500,000 SF of commercial development);
- Matt Loufek (Senior Housing-MacKenzie House: \$1.2 million land sale);
- Alameda Triangle, LLC (luxury condominiums self-developed by Client following the completion of the Highest and Best Use Study and subsequent discussions with top tier potential land buyers and joint venture partners); and
- Wells Fargo Bank (disposition of a 300,000 SF Washington DC office building and an 800,000 SF junior regional mall in California).

You may learn more about Advisors' experience with **Strategic Dispositions** by viewing our Projects at [www.developco.com](http://www.developco.com).

