

# FOCUS WV Brownfield Mini-Grant Program Decision Enhancer Tool



**Kate Marshall**  
**SRA International, Inc.**

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# FOCUS WV Brownfields Mini-Grant Program

## Purpose:

- Facilitate the redevelopment of underutilized and/or abandoned properties that may be contaminated in northern West Virginia counties.
- Help communities consider all options and think about future uses for complex sites that are economically and environmentally sustainable.

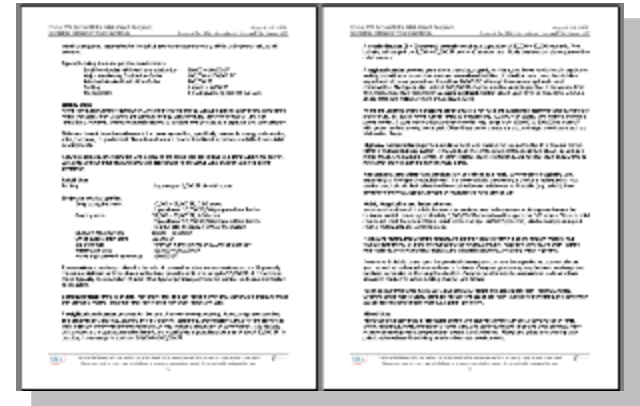
## Grantees receive:

- \$5K grant for reuse planning
- Decision Enhancer Tool
- Opportunity to apply for second round grant of \$12K

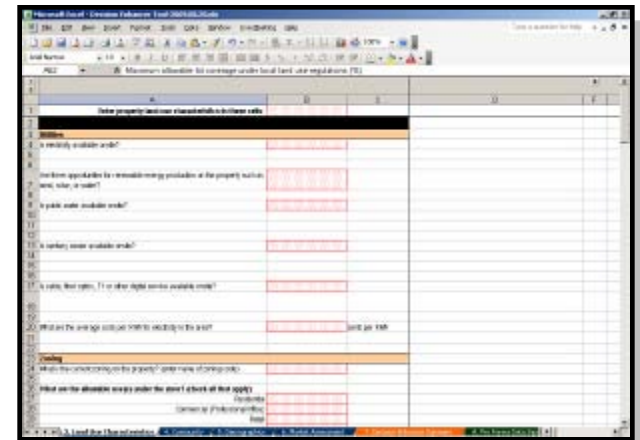
# Decision Enhancer Tool

- Handbook and spreadsheet-based tool
- Information input into workbook will help communities:
  - Begin the redevelopment process armed with the right questions
  - Assess the strengths and weakness of a site
  - Collect important site-specific information in a single place, for potential use by developers
  - Prepare reuse strategies that reflect the local real estate market, meet community needs, and have a higher probability of success

## Decision Enhancer Handbook



## Decision Enhancer Tool



# Decision Enhancer Tool and Handbook

A three step process for redevelopment planning is built into the Decision Enhancer Tool and Handbook.

- |   | Handbook    | Spreadsheet |
|---|-------------|-------------|
| 1. <u>Decision Enhancer Tool</u>  |             |             |
| Dynamic spreadsheet based tool supporting evaluation of reuse options. Identify potentially viable land uses for site.                                  | Pages 7-28  | Tabs 1-7    |
| 2. <u>Redevelopment Planning Exercise</u>   |             |             |
| Conceptual site plan which identifies size, scope, and characteristics (e.g. buildings, pedestrian and vehicular circulation) of potential development. | Page 29     |             |
| 3. <u>Financial and Feasibility Analysis (Pro Forma)</u>  |             |             |
| Spreadsheet analysis to determine the potential feasibility of a real estate project.   | Pages 30-38 | Tabs A-B    |

# Step 1: Decision Enhancer Tool – What it Does

- Provides guidance to communities about what to consider when identifying potential reuse options for a site
- **Asks the questions developers ask when evaluating brownfields for redevelopment**
- Collects this important information in a single electronic file for future use by the community
- Most of all, it provides a *process* for communities to use in evaluating property reuse:
  - What information should I evaluate?
  - Where can I find that information?
  - What does it mean?

# Decision Enhancer Tool Questions

## Three Types of Questions

- **Data Specific**  
Data about the property, region, and real estate market
- **Land Use Criteria**  
Scored questions that highlight strengths and weaknesses associated with particular land uses:
- **Subjective**  
Rely on knowledge of the property, community, and region. Designed to encourage reflection on local market conditions and provide context to the data-specific questions.

## Scoring

+1 = this is a positive attribute and contributes to the strength of the property

-1, -2 = this is negative attribute and a weakness associated with the property

0 = this attribute is either neutral or non-applicable to the potential land use

# Decision Enhancer Tool Questions

## Property

Identify the amount of land available for development and the potential reuse

- Property size (acreage)
- Usable acreage available for development
- Buildings onsite

## Environmental

Understand potential impact of environmental conditions

- Known environmental contamination
- Land use restrictions resulting from the environmental condition

## Land Use Characteristics

Determine characteristics and amenities (e.g. utilities, infrastructure, zoning) of the property

- Electricity availability
- Current zoning on the property
- Maximum allowable lot coverage
- Access and visibility

# Decision Enhancer Tool Questions

## Community

Subjective information on the community profile (e.g. economy, master plan)

- How attractive is your community to developers
- What are the unique economic drivers in the region
- Availability of economic incentives

## Demographics

Understand demographics of local community and the metropolitan statistical area (U.S. Census data)

- Population
- Employment
- Income
- Sectors of the economy that are vibrant and growing

## Market Assessment

Land use criteria score for each submarket is captured

- SF under development
- Vacancy rates
- Median lease rates, housing cost

# Decision Enhancer Tool

## Evaluates the following reuse categories:

- Residential Market
- Commercial (Professional/Office) Market
- Retail Market
- Industrial Market (excluding warehouse)
- Warehouse Distribution Market
- Hotel/Hospitality Market
- Mixed Use Market
- Energy
- Greenspace
- Government

# There Are Over One Hundred Questions...Now What?

Blending the science and art aspects of a brownfield redevelopment is key to the project's success...

## Science

- Certain site characteristics can ensure or prevent a project's success.
- A standard collection of financial information is required to determine whether a project will pencil out.

*The Decision Enhancer Tool helps draw out this critical data*

## Art

- Answering each and every question is not required to have a successful project.
- Answering all of the questions to the letter will not assure the success of a project.

*The community uses the Decision Enhancer Tool to better understand the site and interpret the data*

# Decision Enhancer Tool Output

Decision Enhancer Tool Summary		Marion County
Address	No data	
Town, State	No data	
Point of contact	No data	
Phone number	No data	
Property size	26 acres	
Developable acreage	22 acres	
Maximum allowable lot coverage	85%	
Floor to area ratio (FAR)	No data	
Maximum building height	30	
Number of buildings/structures onsite	1	
Total square footage of buildings/structures onsite	No data	
Has the property been assessed?	Yes: Phase I/II surface investigations	
Is there known contamination?	Yes	
Estimated remediation cost	No data	
Is there public water onsite?	Yes	
Is there sanitary sewer onsite?	Yes	
Current zoning	Highway Commercial	
Are access roads in good condition?	Yes	
Is the property centrally located?	No	
Is the property within close proximity to passenger rail access?	No	
Is the property within close proximity to cargo rail access?	No data	
Does the property border a navigable waterway?	No	
Townsite position	15,33T	
How would you describe your community?	Stagnant but healthy	
Are there unique economic drivers in the region?	Yes	
Do economic incentives exist for your community?	Yes	
What are the fastest growing areas of employment in the town/city?	Wholesale/retail trade, Education and healthcare, Leisure and hospitality	
What are the fastest declining areas of employment in the town/city?	Manufacturing	
What sectors are absent and growing?	No data	
Is there a large professional workforce?	Yes	
Is there a large skilled or semi-skilled workforce?	Yes	

Reuse Summary	
Uses that may be viable at the site:	
Residential Market	3
Retail Market	3
Industrial Market (excluding warehouse)	13
Warehouse Distribution Market	6
Mixed Use Market	5
Energy	6
Greenspace	4
<p>NOTE: Land use scores can vary from a negative number (i.e. -5) to a positive number as high as 40. The values will depend on whether or not all questions are answered, as well as the answers themselves. <b>These scores are not intended to be a ranking. Instead, the scores are intended to help communities identify land uses that more likely to be successful as compared to other potential land uses on the same property.</b> Land uses scoring within one or two points of each other have similar potential for success. Likewise, when land use scores vary substantially, the higher scoring land uses have the most potential for success.</p>	
Uses that may not be viable at the site and the rationale behind the fatal flaw designation:	
Commercial (Professional/Office) Market:	User identified land use policy/fatal flaw, no detailed rationale provided.
Hotel/Hospitality Market:	User identified land use policy/fatal flaw, no detailed rationale provided.
Government:	User identified land use policy/fatal flaw, no detailed rationale provided.

## Uses that may be viable at the site:

Residential Market	8
Retail Market	8
Industrial Market (excluding warehouse)	13 ←
Warehouse Distribution Market	6
Mixed Use Market	5
Energy	6
Greenspace	4

## Uses that may not be viable at the site and the rationale behind the fatal flaw designation:

Commercial (Professional/Office) Market: User identified land use policy fatal flaw, no detailed rationale provided.

Hotel/Hospitality Market: User identified land use policy fatal flaw, no detailed rationale provided.

Government: User identified land use policy fatal flaw, no detailed rationale provided.

# Step 2: Redevelopment Planning Exercise

- Should be done independently by the community, with assistance from planning, land use, legal, financial, and technical professionals
- Develop a site conceptual plan which identifies size, scope, and characteristics of potential development
- Identify proposed buildings, pedestrian and vehicular patterns, parking needs, etc.
- Consider the property, controls on the use of the property, existing buildings, market and drivers, and location.

# Step 3: Financial Feasibility Analysis: Pro Forma

- Used to quickly evaluate the financial viability of reuse alternatives including:
  - Residential
  - Commercial
  - Retail
  - Industrial
  - Warehouse Distribution
  - Mixed Use Development
- Not an in-depth analysis needed for complex projects or to make investment decisions.

# Financial Feasibility Analysis: Pro Forma

- Benefits:
  - Help municipal officials and communities gain an understanding of the interplay of costs and revenues
  - Evaluate different redevelopment scenarios and see how various factors could impact alternatives
  - Provide an estimate of profitability
- Only issues that can be quantified to a specific cost can be calculated - any 'unquantifiable risk' will likely require special treatment as part of the redevelopment process.

# Pro Forma Inputs

## Site Cleanup

- Soil remediation, groundwater remediation, building abatement

## Construction Costs

- Demolition, renovation, new construction

## Soft Costs

- Site plans, engineering, legal, soil testing

## Carrying Costs

- Interest, financing sources

## Income

- Lease rates

## Vacancy

## Capitalization Rate

# Pro Forma Outputs

Total Development Cost

Project Value

- $\text{Adjusted net operating income} / \text{capitalization rate}$

Profit

- $\text{Project value} - \text{total development cost}$

Cash on Cash Return

- $\text{Profit} / \text{total development cost}$

# Limitations of the Decision Enhancer Tool

## The Decision Enhancer Tool:

- Does not determine the best reuse option for a site; it allows only for the comparison of real estate products against one another
- Includes a simplified pro forma analysis that cannot replace a formal property appraisal or financial analysis

Reuse and investment planning should be based on unique drivers, more detailed valuation tools, and local knowledge of the site

# Summary

The Decision Enhancer Tool allows communities to:

- Begin the redevelopment process armed with the right questions
- Assess the strengths and weakness of a site
- Collect important site-specific information in a single place, for potential use by developers
- **Asks the questions developers ask when evaluating brownfields for redevelopment**
- Collect this important information in a single electronic file for future use by the community
- Prepare reuse strategies that reflect the local real estate market, meet community needs, and have a higher probability of success

Most of all, it provides a *process* for communities to use in evaluating property reuse:

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# Questions? Interested in Learning More?

## Real Estate Development and Decision Enhancer Tool Training

Kate Marshall

SRA International, Inc.

[kate\\_marshall@sra.com](mailto:kate_marshall@sra.com), 703-284-6234

## FOCUS WV Brownfields Mini-Grant Program

Sera Zegre

Northern WV Brownfields Assistance Center

[sera.zegre@mail.wvu.edu](mailto:sera.zegre@mail.wvu.edu), 304-293-2867 ext 5447

