

# **USE OF MASTER DEVELOPERS IN IMPLEMENTING MILITARY BASE REUSE PLANS**

**Consolidation: Parts of Two Reports  
Reconnaissance  
Cases**

Prepared by  
Economic & Planning Systems, Inc.

*Office of Economic Adjustment  
March 1999*

## INTRODUCTION

Economic & Planning Systems (EPS) was commissioned by the East Bay Conversion and Reinvestment Commission (EBCRC) and the Office of Economic Adjustment (OEA), as part of the East Bay Pilot Project II, to conduct a two-part study on the use of developers in base reuse.

The *Reconnaissance Report* provides a broad overview of how Local Redevelopment Authorities (LRAs) throughout the U.S. are involving private developers in implementation of their base reuse plans. In the report a range of strategies was identified in which private developers had different roles and working relationships with LRAs at selected bases throughout the U.S. The Introduction, and Findings and Conclusions sections of the *Reconnaissance Report* are included in this report consolidation.

The purpose of the *Cases Report* is to more closely examine the role a private developer can play early in the reuse process, particularly in planning and conveyance, and the potential benefits and pitfalls of such involvement. The report explores in detail the results of private developer involvement in planning and conveyance at three bases with distinct approaches. “Conveyance” is the mechanism by which ownership title to the base property is transferred from the military to the LRA at a price negotiated between the two entities. The *Cases Report* examines the nexus between the nature of developer involvement and the success of the planning, conveyance, and development phases. Understanding this nexus will guide LRAs in deciding what level of developer involvement is appropriate in their efforts and how an effective relationship can be structured if a developer is selected. The Executive Summary and Recommendations sections of the *Cases Report* are included in this report consolidation.

### RECONNAISSANCE REPORT INTRODUCTION—*Excerpts*

The term “master developer” has not been clearly defined and is often used by different people to mean different things. For purposes of this study, we offer the following definition:

*The master developer is responsible for managing the development and disposition of the site from initiation to final buildout, overseeing site preparation and infrastructure development, financing, marketing, and asset management. The master developer may or may not be involved in construction of buildings. In some cases they will simply sell improved building sites to other builders or developers.*

In the context of base reuse, where the land asset is initially owned by a public entity, development inherently is a public/private process. The role of master developer can be carried out with varying degrees of public sector participation. Options range from the LRA or another designated public agency carrying out all master developer functions in-house, to turning master development over entirely to the private sector through a simple bulk sale disposition. As will be discussed later in this report, there are several intermediate options between these two extremes.

The role the LRA elects to play in the master development process, and the means by which it is carried out, will vary on a case-by-case basis, depending on a variety of factors. These include the capabilities of the LRA to act as a developer, the complexity of the base reuse development program, the market support for development, the degree of control the public agency wishes to maintain, the response of the development community to the project, and any number of other factors. One important objective of this study is to provide a framework of decision criteria to assist LRAs in evaluating which approach is most likely to be successful given their unique circumstances.

The EBCRC posed a number of specific questions regarding the use of master developers in base reuse that have been very useful in structuring the research for this report. The key findings in the Findings and Conclusions section are organized to address these questions:

- Why choose a master developer while using an LRA as conveyance recipient as opposed to conveying through direct sale to a developer?
- At what point should a master developer be brought into the base reuse process?
- What types of base property are most suitable for handling by a master developer?
- What is the best way to select a master developer?
- What credentials and criteria are most relevant when selecting a master developer?
- What skills and experience are appropriate, and who is best qualified to select a master developer?
- How should responsibilities be divided between a master developer and the LRA or local government?
- How should a master developer be held accountable, and to whom?
- What, if any, is the proper role for a community advisory group in the context of reuse implementation by a master developer?

**Table 1** summarizes the strategies taken at each of the bases studied and shows the entity responsible for undertaking each of the master developer tasks

**Table 1**  
**Master Developer Function Matrix**

<b>Base</b>		<b>Site Preparation</b>	<b>Infrastructure Financing</b>	<b>Infrastructure Construction</b>	<b>Marketing</b>	<b>Asset Management</b>	<b>Disposition to Builders</b>
Rickenbacker Air Guard Base (1)	(OH)	LRA / Developer Adviser	LRA / Developer Adviser	LRA / Developer Adviser	LRA / Developer Adviser	LRA / Developer Adviser	na
Ft. Sheridan	(IL)	Developer	Developer	Developer	Developer	Developer	Developer
Lowry Air Force Base	(CO)	LRA	LRA	LRA	LRA	LRA	LRA
Ogden Defense Distribution Depot	(UT)	LRA	LRA	LRA	LRA	LRA	LRA
Glenview Naval Air Station	(IL)	LRA	LRA / Developer Adviser	LRA / Developer Adviser	LRA / Developer Adviser	LRA	LRA/ Developer Adviser
Fort Devens	(MA)	LRA	LRA	LRA	LRA	LRA	LRA
Mare Island Naval Shipyard	(CA)	Developer	Developer	Developer	Developer	Developer	Developer
Oak Knoll Naval Medical Center	(CA)	Developer	Developer	Developer	Developer	Developer	Developer
Ft. Benjamin Harrison	(IN)	LRA	LRA	LRA	LRA	LRA	LRA
Fleet Industrial Supply Center, Alameda Annex	(CA)	Developer	Developer	Developer	Developer	Developer	na
Hunters Point Annex (Naval Shipyard)	(CA)	LRA/ Developer	LRA/ Developer	Developer	Developer	LRA/ Developer	Developer
Vint Hill Farms Station	(VA)	LRA/ Developer	LRA	Developer	LRA/ Developer	Developer	LRA/ Developer
Orlando Naval Training Center	(FL)	Developer	Developer	Developer	Developer	Developer	Developer

(1) After successful collaboration between the LRA and developer adviser over a period of five years, the developer adviser team was integrated onto LRA staff.

\* Indicates that the final divisions of responsibilities are still to be determined.

## RECONNAISSANCE REPORT—*Findings and Conclusions*

Although the bases examined for the reconnaissance studies are each unique in their characteristics and experience, they are nonetheless instructional for other bases in transition. Each base profiled has differing physical facilities, governance structure, and economic and community context. Each has a unique history in its reuse planning goals and processes. Different approaches to redevelopment and the choice as to whether to include private developers were therefore appropriate for each. However, some general conclusions can be drawn from their experience to inform decisions made on other bases in transition.

### SUMMARY OF KEY FINDINGS

This study was undertaken in order to learn from the ongoing experiences of LRAs as they undertake the master development tasks required for implementation of their reuse plans. The following summarizes the key findings of the reconnaissance study:

#### **Including a Master Developer**

##### Involving a Master Developer with LRA Participation

Although benefits of private-sector development, such as expertise and financial resources, could still be realized through direct sale to a master developer, there are several advantages in the LRA maintaining a degree of involvement in redevelopment.

- Taking ownership of the base allows the LRA to retain a measure of control in choosing the Developer best qualified to meet the goals of the reuse plan. The developer who offers the best price may not be the one with the greatest ability to attract quality tenants, raise private financing, or guarantee a long-term commitment to redevelopment and the reuse plan.
- The Development and Disposition Agreement resulting from the LRA's sale to a developer (if outright re-sale is chosen) gives the LRA an opportunity to impose legally-binding performance standards that help ensure the developer fulfills the objectives of the plan. These may include, for example, a specific development schedule or a minimum required level of investment in development.
- Maintaining involvement in redevelopment allows the LRA to bring to bear a broad range of additional public funding mechanisms that can assist the developer in making the reuse plan's public benefits more financially feasible. These may include tax credits, tax increment financing, grants, and affordable housing subsidies.

##### Timing of Master Developer Involvement

The timing of private developer involvement depends on the goal of the LRA in involving a developer and the type of participation the developer will have.

- The initial reuse plan that serves as the basis for conveyance negotiations must be developed through a community process. However, if the resulting reuse plan is a very conceptual document, it may be appropriate to involve the developer in translating this preliminary concept plan into a redevelopment plan appropriate for implementation and entitlement applications. This involvement may result in a more realizable plan by allowing the developer's market and entitlements experience to inform the creation of a realistic land use and phasing program.
- If the developer's up-front capital investment is essential to the LRA's acquisition of the base from the military, the developer must be involved before the conveyance is completed. This requires that the LRA begin the process of selecting a developer at least a year in advance of expected conveyance.
- Caution should, however, be taken to not select a developer prior to the completion of community-based reuse planning and any required environmental review process to avoid conflict-of-interest concerns. If the developer will play a strictly advisory role to an LRA that takes the lead in managing redevelopment, the developer can be brought into the process early to advise on planning and conveyance issues without raising these concerns.

## **Selection Strategy**

### Method of Selection

Most jurisdictions require a competitive bidding process of some kind before entering into contract with the private sector. Occasionally, through special local or state legislation, LRAs have been exempted from this requirement and granted more streamlined authority. However, even in such cases, a selection strategy encouraging competition among prospective developers is generally advantageous.

- The Request for Qualifications (RFQ) resulting in an Exclusive Negotiating Agreement (ENA) with a developer is often the preferred approach, especially when there is substantial uncertainty regarding toxic remediation, conveyance terms, future development potential, or other aspects of project development. In the RFQ process the key objective is to identify a qualified developer; the details of the terms and development program are worked out later.
- The Request for Proposals (RFP) method of selection was generally found to be a valuable tool for eliciting a competitive price and business terms, and for establishing a process to evaluate qualitative factors that determine how successful the LRA/developer relationship will be. To attract high-quality responses, the RFP must offer substantial certainty regarding the parameters of development, including entitlements, development costs, and the LRA's ability to deliver title to the land.
- An effective RFP process offers an opportunity for the project to be shaped through discussion and refinement of terms prior to the submittal of final proposals. This offers

the additional benefit of providing a chance to evaluate how well the prospective developer would work with the LRA.

- A well-written RFP can also go a long way toward securing the desired terms and conditions for the transaction. In one case, the LRA successfully finalized both the plan and the transaction terms through an RFP response by requiring developers to submit their response as a signed contract of sale. This allowed the LRA to avoid a lengthy and contentious negotiation process, substantially reduced its process costs and development risk, and provided an incentive for the developer to offer the most favorable terms to the LRA.

### Selection Criteria

In cases where it has been decided that a private development company will be brought in to carry out implementation tasks as master developer, certain key criteria are useful in choosing the most appropriate candidate. As with other aspects of the developer selection strategy, the appropriate criteria depend on the LRA's goals in involving a master developer.

- Responsiveness to Reuse Plan Goals. In order to ensure that the realization of the plan will meet its original goals, it must be clear from the outset that the developer understands and is committed to the objectives of redevelopment. Whether these include replacement of lost jobs, strengthening of the tax base, or the creation of a vibrant community center, their long-term fulfillment must begin with a firm understanding of these objectives and their incorporation in the developer's approach to the project. This is especially true if the developer will have a great deal of flexibility in adapting the plan over time.
- Financial Capacity. When a significant motivation for involvement of the private sector is the need for funding, the financial capacity of the proponent must be a key criterion. The financial capacity of the developer-investors may be critical to their ability to carry the project forward through business cycle fluctuations.
- Development Experience. Demonstrated experience with the proposed land uses is often a selection criterion. However, many LRAs found that it was not as important as experience and expertise in development generally. General management skills and the ability to raise financing and acquire entitlements are as important to success as physical construction and marketing.
- Composition of Team. For unusual or challenging development types, such as affordable housing or adaptive reuse, it may be important for a development team to include partners with specialized expertise in those fields.
- Public Involvement Skills. The successful developer must be able to work well with and gain the trust of public sector staff and the community. This will be critically important in gaining support for revisions to the plan that may be required in order to respond to changing market conditions and other obstacles.

## Responsibility for Selection Decision

Responsibility for selecting the developer should fall on several parties in order to ensure an effective long-term outcome:

- The members of the LRA and their staff who will work directly with the selected developer should be a part of the decision. This will give them a first-hand chance to evaluate how well they would likely work together.
- Consultants or in-house experts should be brought in to assist in the comparative evaluation of the price offers and risk/reward trade-offs implicit in each of the developer responses. They can also provide independent review of the financial and market assumptions.
- Including some community representation on the selection committee is also appropriate and will assist in gaining community buy-in to the development plan. Ideally, this would be someone who participated in the reuse planning process and is familiar with the plan's goals.

## **WORKING RELATIONSHIP**

### **LRA and Master Developer Responsibilities**

The role of the LRA in the master development process and the corresponding role of the private sector can be structured in a variety of ways. The key criteria for selecting the most appropriate strategy are the capabilities of the LRA with respect to development functions and the complexity of the development.

The various arrangements of public/private development roles can generally be categorized as follows:

- In-house Development. Some LRAs have decided to take on master development responsibilities themselves. Sufficient development expertise may be available in LRA staff to take on the various responsibilities of redevelopment, or the LRA may choose to create an in-house development division, hiring new staff with development expertise. In this case the LRA would carry out all master development tasks, including site preparation, infrastructure construction, financing, marketing, and asset maintenance. A complicated land use program or lack of financial resources could make these tasks challenging; however, many LRAs have found this to be an effective approach, especially when the market has not supplied high-quality proposals from the private sector.
- In-house Development with Developer/Consultant Input. Some LRAs have retained ownership and hired a private development company to advise them as they carry out redevelopment. The developer functions as temporary staff and may earn a commission or flat fee, or some combination thereof. This relationship allows the LRA to retain

control over the process as well as any revenues realized. However, it requires an ongoing commitment of staff resources to carry out the development tasks and to use the development advisers effectively.

- Contract Development. The LRA can retain ownership of the base and hire a development company on a for-fee basis to carry out master development tasks. This allows the LRA to retain control over development as well as any financial returns realized. Financing would be secured with the assets of the LRA and without any developer equity. The success of this relationship, as with sale to a private master developer, will depend on determining an appropriate fee, selecting a qualified developer, and ensuring accountability through an effective contract.
- Joint Venture. This type of arrangement may take many forms, but involves some sharing of both responsibilities and revenues. Typically, the LRA contributes the land and the bulk of infrastructure replacement. The developer takes on management responsibility. Both parties secure the financing to which their status gives them access. A major advantage of this arrangement is the broader range of financing tools that become available. The LRA has the opportunity to share in development profits, but also assumes a greater degree of risk.
- Private Development Venture. In this arrangement, the LRA seeks a private development company through a competitive bidding process to purchase the entire property and redevelop it according to the adopted reuse plan. This is generally the simplest way for the LRA to acquire development expertise and minimize their ongoing responsibilities. However, the LRA cedes control over the redevelopment process and any revenues it might generate. Also, in the absence of a strong real estate market, the LRA may be unable to interest many qualified developers in their property. Some level of site preparation or subsidy may also be necessary in order to interest any developers in the project.

### **Developer Accountability**

A successful selection process should result in a developer that shares the reuse goals and has a strong development program; however, even a qualified developer may seek to change course when market conditions turn against them. In order for the LRA to reduce uncertainty regarding the development outcome, it is important that specific, quantifiable objectives be clearly articulated in advance. A number of mechanisms can be employed to help ensure developer accountability to reuse plan goals. Which mechanisms are appropriate will depend on the type of working relationship that is chosen and the balance between flexibility and control that is desired by the LRA.

- Development and Disposition Agreement (DDA). The contract of sale to a developer offers the LRA an opportunity to create legally-binding controls over various aspects of development. This would be appropriate whether the entire base or only a small portion is being sold. The DDA can include performance standards that prevent a developer from “land banking” property, for example, by specifying a required minimum level of

investment or development schedule. If these standards are not met, the DDA may guarantee that the property revert to LRA ownership at a specified price. The DDA should also include communication and dispute resolution mechanisms. A rigid DDA has some drawbacks, however. Because these types of constraints limit the developer's flexibility in the face of uncertain market conditions, lenders may be more hesitant to provide financing to the developer.

- Professional Services Contract. In cases where an LRA contracts with a for-fee developer or developer-consultant, terms of the working relationship would be specified in a professional services contract. This contract would lay out the expectations of work to be performed, the nature of compensation, and criteria for evaluation of performance. As with a DDA, in order for the contract to be effective, these terms and conditions must be clearly articulated.
- Environmental Review. Through the environmental review process, certain impact mitigations can be identified for developer responsibility. Monitoring procedures may need to be established.
- Entitlements. The City or County standard entitlement processes, governing planning and building permits, can offer some procedural controls over development. This requires that the LRA take the reuse plan through an additional planning process that will result in general plan and zoning designations as well as design guidelines. Discretionary controls, e.g., conditional use permits, may be desirable on certain uses for which a greater degree of community control is deemed appropriate.
- Deed restrictions. Deed restrictions, which can regulate development on a property in perpetuity, are generally not a favorable means of development control because of their inflexibility. Since they offer absolutely no responsiveness to changing market conditions, they tend to limit the ability of developers to access financing. However, in limited cases, e.g., to guarantee historically compatible architectural standards or to permanently preserve open space resources, deed restrictions may be appropriate.

### **Role of Community Advisory Group**

Community participation is essential to the clear articulation of goals in the reuse plan and oversight of the selection of a development strategy. However, once these tasks have been achieved, community review of transaction terms may need to be limited, as it will be difficult to incorporate such input into the negotiation terms.

## **ADDITIONAL FINDINGS**

### Special legislation

In a number of base redevelopment cases, LRAs have been able to secure special legislation at the local or state level that created special conveyance terms and/or redevelopment powers. Such legislation may facilitate redevelopment in several ways, for example by streamlining decision-making authority at the local level, allowing the LRA to function with the flexibility of the private sector, and exempting the LRA from the “public purpose” requirement for conveyance. Securing such special legislation requires a strong elected delegation, at the state or federal level, or significant community support, at the local level.

## **DECISION CRITERIA FOR DEVELOPMENT STRATEGY SELECTION**

### **Typology of Alternative Development Strategies**

The selection of a development strategy is one of the key decisions to be made during the implementation phase of the base reuse process. Potential strategies vary considerably in terms of participants, responsibilities, and contractual arrangements. Development strategies may range from the LRA undertaking all master development responsibilities, to a private developer undertaking these tasks, with a number of hybrid strategies in between. Development strategies identified in the reconnaissance study generally falls into one of the five categories described below:

- **Type 1: In-house Development.** The LRA or other local government agency undertakes master development tasks.
- **Type 2: In-house Development with Developer/ Consultant Input.** The LRA undertakes master development tasks with advisory assistance from developers, consultants, or brokers in conducting specific tasks.
- **Type 3: Contract Development.** The LRA hires a developer on a for-fee basis to carry out master development tasks.
- **Type 4: Joint Venture.** The LRA and a developer form a partnership where they share master development responsibilities, risks, and revenues.
- **Type 5: Disposition to Private Developer.** Private developer undertakes all master development tasks.

### **Evaluation Criteria**

The optimal development strategy will depend on the specific circumstances of the base. In order to ascertain which development strategy is appropriate, suggested evaluation criteria were

developed by EPS. The criteria described below identify the key relevant circumstances that should inform the selection of the development strategy:

- **Complexity of Project.** The complexity of redevelopment will increase the challenges involved in carrying out implementation of the reuse plan. Issues such as the size of the base, the quality of existing infrastructure and building stock, toxic contamination, historic preservation, and the mix of uses proposed in the reuse plan will all affect the complexity of master development tasks and the types of expertise required to fulfill them.
- **Preference for Local Control.** A community's past experience with redevelopment and its level of interest and involvement in the base reuse planning process will play into the degree to which local public sector control of the reuse plan is desired. An understanding of the pros and cons of private sector involvement, and the mechanisms available for ensuring accountability, will also determine the willingness of the local community to yield control of the reuse process.
- **Financial Capacity.** Substantial financial resources will be required to acquire the base and carry out successful redevelopment. Implementation will generally entail costs associated with building demolition and upgrades, infrastructure improvements, and other site preparations, as well as marketing, operations and maintenance, and in-house staff budget. Many LRAs have obtained funding through federal and state grants, have raised money through interim leasing, sale of individual parcels, and private lenders, and have secured adoption of redevelopment areas that offer additional resources. However, where LRA financial resources are insufficient to carry out costly development programs, early disposition to the private sector may be necessary.
- **Staff Expertise.** Required redevelopment expertise may or may not be readily available from LRA staff. Implementation of the reuse plan will require skills in a number of areas, including contract management, construction management, infrastructure planning, financing, asset maintenance, and marketing. Expertise can sometimes be brought in-house by the recruitment of a developer to act as LRA Executive Director or out-sourced as needed to consultants or temporary staff.
- **Staff Availability.** Regardless of expertise, the adequacy of existing staffing levels must also be considered. The availability of staff may be a function of the local government's perception of the importance of the base redevelopment process.

### **Development Strategy Decision Matrix**

The summary matrix presented in Table 2 provides a rough framework to help guide LRAs and other decision makers in selecting the optimal development strategy for their circumstances. The capabilities of LRAs and the characteristics of their base reuse projects will vary significantly from place to place. Thus, a framework such as that presented here cannot begin to reflect all the nuances that will necessarily be considered in selecting a development strategy. Nevertheless, the matrix attempts to provide an indication of how several major factors that are consistently

part of the base reuse milieu may effect this decision. Perhaps the most important consideration is that LRAs fully understand all the activities that will be required to successfully carry out base redevelopment, and that they realistically assess both their capabilities and ability to accept development risk.

Dots in the cells of Table 2 indicate which development strategy(ies) may be appropriate given conditions or preferences shown in the Evaluation Criteria listed at the left. One dot indicates lowest rating along any of the Evaluation Criteria - that is, lowest complexity, lowest preference for local control, lowest LRA financial capability, lowest LRA staff expertise, and lowest LRA staff availability; three dots indicate highest score on each of these. Thus, a project rating low on complexity (one dot) may be most appropriately handled in-house (type 1), while high complexity (three dots) may require a joint venture (type 4) or private developer (type 5).

**Table 2**  
**Master Developer Strategy Decision Matrix**

<b>Evaluation Criteria</b>	<b>Type 1 In-house</b>	<b>Type 2 Developer Advisor</b>	<b>Type 3 Contract Developer</b>	<b>Type 4 Joint Venture</b>	<b>Type 5 Private Developer</b>
Complexity of Project	■	■ ■	■ ■	■ ■ ■	■ ■ ■
Preference for Local Control	■ ■ ■	■ ■	■ ■	■ ■	■
LRA Financial Capacity	■ ■ ■	■ ■ ■	■ ■	■	■
LRA Staff Expertise	■ ■ ■	■ ■	■ ■	■ ■	■
LRA Staff Availability	■ ■ ■	■ ■ ■	■ ■	■ ■	■

■ **LOW**    ■ ■ **MEDIUM**    ■ ■ ■ **HIGH**

## CASE REPORT—*Executive Summary*

LRAs at the three bases selected for case studies have involved private developers in their reuse processes at different phases and with different approaches. The following are the three study cases, the phase at which developers were invited to participate in the reuse process, and the objectives of the LRA in seeking such developer involvement:

- Orlando Naval Training Center, Florida. The LRA and Navy developed a useful strategy for expediting conveyance by involving private developers. The strategy helped to identify an accurate market valuation for conveyance of the property and at the same time simplified the negotiation process for resale to the developer.
- Mare Island Naval Shipyard, California. The LRA at Mare Island also engaged private developers for the entire base redevelopment process, beginning prior to completion of conveyance. Their presence made a significant contribution in expediting negotiations over remediation and conveyance timetables although transfer is not yet complete.
- Mather Air Force Base, California. In this case, a private developer was selected to assist with master development tasks ranging from conveyance negotiation support to disposition and development. The LRA structured an arrangement in which they can benefit from developer expertise and still share in the returns on base redevelopment.

## SUMMARY OF FINDINGS

The findings of the case studies support the conclusions of Part I of the study. Private developers can contribute to base redevelopment by lending their expertise and market perspective to implementation. However, the appropriate role for a developer—the degree of their involvement and control—will necessarily vary from case to case, and the selection and relationship with the LRA must be carefully managed. Generally speaking, early involvement of a developer can offer three key contributions to base redevelopment:

- Save staff resources and increase level of available expertise. The base reuse process can require a great investment of LRA staff resources on reuse planning, conveyance negotiations, developer solicitation and negotiations, and monitoring and administration of development. Inefficiencies in these processes can increase costs and lead to delays in implementation. To the extent that the work entailed in these tasks can be expedited or shifted to a private developer with more experience and expertise, the LRA may reduce its overall costs and increase its effectiveness.
- Reduce uncertainty and increase feasibility of reuse plan. The long-term realization of the reuse plan is fraught with obstacles and uncertainties ranging from unpredictable schedules to financial constraints and changing market conditions. Involving a developer can help to reduce these risks, if the selection process and working relationship is

managed. Early involvement of a developer can help to accurately identify the market value of the property given the investments required for redevelopment. Properly identifying these valuations will increase the feasibility of the overall project. A well-structured relationship can create controls and incentives that improve the balance of risks and returns to the LRA.

- Facilitate the transition into the development phase. Moving quickly and effectively from conveyance to development will reduce costs, increase revenues and job generation, and expedite realization of the plan. Public sector staffs sometimes lack experience with complex development transactions. Private sector expertise can be brought into the process to facilitate the transition into disposition and development. This involvement can be structured in a variety of ways depending on the level of control the LRA desires to maintain.

### **LESSONS LEARNED—*Cases Report***

The three cases profiled provide lessons for other LRAs to consider as they structure their own implementation strategies. The following recommendations, derived from these lessons, suggest ways that an LRA can effectively select and work with a developer early on to expedite a successful redevelopment process. The most appropriate strategy will vary according to the needs and context of each particular base reuse effort.

- Consider developer involvement early in the reuse process. Although the LRA may ultimately decide not to involve a developer, the potential for developer involvement should be considered early on. As early as the reuse planning phase, the role of private sector developers should be determined so that a selection strategy and negotiations can proceed in a timely manner. Unnecessary lapses in selecting and contracting a developer will reduce their potential contribution and delay implementation.
- Use developer input to increase the feasibility of the plan. The reuse plan should be specific in its goals but flexible in its development plan in order to respond to changing market conditions. Soliciting developer input in the plan prior to implementation actions, such as re-zoning, can provide a more realistic and achievable plan that is feasible in the long run.
- Structure an RFP that maximizes the level of developer commitment. The competitive RFQ/RFP process offers a valuable opportunity to maximize the bid price and development quality and minimize process and public subsidy. Stating clear and specific requirements, establishing a consistent format for proposal submissions, providing input regarding expectations during pre-bid discussions, and evaluating past examples of candidate work can all contribute to a higher quality pool of candidate proposals.

The RFP process should strive to secure as much agreement as possible on deal terms during the competitive process. To the degree possible, the RFP should seek to obtain developer commitment to a bid price and development and investment schedules, prior to

developer selection. This provides a more precise basis for evaluation and reduces the need for lengthy negotiations that may result in a deal less favorable than expected.

Market conditions will affect how much burden can be imposed on candidates during the RFP process without limiting the pool of respondents. LRAs should review the RFP documents and responses from similar bases to get a sense of what could be expected of respondents in their particular case.

- Use the development community to identify an appropriate valuation for conveyance. The competitive marketplace is the most efficient means of arriving at an accurate valuation of the base given the development opportunity identified in the reuse plan. Responses to a competitive bid will evaluate potential returns in the context of market and financial realities. Linking transfer terms to the results of developer solicitation can expedite conveyance negotiations and result in a price that more accurately incorporates the costs of redevelopment.
- Ensure that the conveyance agreement's business terms anticipate future development realities. Once negotiations on the transfer price are complete, specific terms will be hammered out for each parcel. Development expertise will be essential in securing an agreement that does not unnecessarily constrain implementation. An experienced developer can assist the LRA in evaluating conditions such as release prices, use restrictions, and toxic liability clauses for each parcel in light of their implications for timely resale and development of the property. Close evaluation from this perspective will help ensure that such conditions are well defined and appropriate.
- Use developer commitment to expedite toxic remediation. Delays in clean up could result in missed opportunities in the market. A demonstrated commitment to investment by the private development community can strengthen the LRA's position in negotiating for expedited clean up and/or early transfer of property. Developers can also provide a clear recommendation on the most appropriate order and priority for clean up parcel by parcel. In many cases, developers have negotiated with the military and LRA to take on remediation themselves on a contract basis.
- Involve developers in the most appropriate way for the case. As shown in the *Reconnaissance Report*, developer involvement can occur through a variety of arrangements, with varying levels of risk and return being accepted by the LRA. Real estate expertise can also be brought into specific tasks, such as planning and conveyance, on a consulting basis. The structure should be appropriate to the LRA's goals, resources, willingness to accept risk, and internal level of expertise.

## IMPLEMENTATION STRATEGIES

### CONSIDER DEVELOPER INVOLVEMENT PROACTIVELY

**Action:** Consider developer involvement early in the reuse process. Although ultimately the decision may be for no private developer involvement, the possibility of a role for a private developer should be considered as early as the reuse planning phase.

**Implementing Actor:** LRA.

**Intended Result:** To allow the overall implementation strategy to be developed more efficiently. Thus, if it is determined that a developer will play a role, the selection strategy and negotiations can proceed in a timely manner. Undue delay in selecting and contracting with a developer may reduce their potential contribution and delay implementation.

**Measure of Success:** An efficient redevelopment process.

**Lesson Learned:** The LRAs in these case studies considered early on what role developers could play in their implementation programs, and thus were able to proceed with several processes concurrently (e.g., remediation negotiations, conveyance negotiations, etc.), thereby increasing the overall efficiency of implementation.

**Abiding Concerns:** None.

### ENHANCE PLAN FEASIBILITY

**Action:** Solicit the input of private-sector developers in the plan. During the reuse planning phase, this can be achieved through a consultant/advisor relationship or an uncompensated advisory panel. Once the reuse plan has been adopted, a developer advisor or partner could provide input in translating the reuse plan into a detailed development plan.

**Implementing Actor:** LRA.

**Intended Result:** To enhance the market and financial feasibility of the plan through the expertise of the private-sector developer.

**Measure of Success:** A feasible plan that can be implemented to achieve the reuse plan goals, which may include job creation, blight removal, and a financial return to the community.

**Lesson Learned:** Plans that are not informed by participants in the private development market often fail to be achieved according to their visions because their development programs are not responsive to market and financial realities.

**Abiding Concerns:** Care should be taken that developer input prior to a competitive bidding process does not compromise the integrity of the reuse plan on the basis of financial performance alone. During the reuse planning phase, using a developer on a consultant basis or as a member

of a broader advisory panel is more appropriate than seeking input from a developer who may be a beneficiary of the plan's development.

#### MAXIMIZE DEVELOPER COMMITMENT

**Action:** Structure an RFQ/RFP process that states clear and specific requirements, establishes a consistent format for proposal submissions, and provides input regarding expectations during pre-bid discussions. Seek developer commitment to a bid price and development and investment schedules prior to final selection.

**Implementing Actor:** LRA.

**Intended Result:** To maximize the bid price and development quality and minimize process time and public subsidy.

**Measure of Success:** A pool of high-quality, competitive proposals that respond to the reuse plan and LRA implementation goals.

**Lesson Learned:** The LRA can use the competitive environment of the RFQ/RFP process to optimize the terms of the final developer agreement and circumvent a protracted negotiation process.

**Abiding Concerns:** The requirements of the RFP must be balanced against the strength of expected market demand for the development opportunity. An RFP that demands too much investment of developer resources for the response, given the potential return, may have the unintended consequence of reducing the number of companies willing to offer proposals or reducing the quality of their proposed development. Examining the RFPs and responses received at other bases may help to provide an idea of what is appropriate.

#### IDENTIFY APPROPRIATE CONVEYANCE VALUATION

**Action:** Link conveyance transfer terms to the results of a competitive developer solicitation process.

**Implementing Actors:** LRA and military.

**Intended Result:** To expedite conveyance negotiations and arrive at a transfer price that accurately incorporates the costs of redevelopment.

**Measure of Success:** A conveyance transfer price that is reflective of the market value of the property upon implementation of the reuse plan.

**Lesson Learned:** The competitive bid process is an efficient means of arriving at an accurate market valuation of the base given the development opportunity identified in the reuse plan.

**Abiding Concerns:** Linking the terms to the results of developer solicitation exposes both the LRA and military to some degree of uncertainty and risk. It may be unwise to use this strategy if there is little certainty regarding developer interest in the property.

#### REDUCE UNCERTAINTY IN CONVEYANCE AGREEMENT

**Action:** Seek developer expertise in reviewing and negotiating the conveyance agreement's terms at the parcel level (e.g., deed restrictions).

**Implementing Actor:** LRA.

**Intended Result:** To ensure that parcel-level terms in the conveyance agreement constraining development are well defined and appropriate.

**Measure of Success:** An agreement that does not unduly constrain the redevelopment process with unproductive process and delays.

**Lesson Learned:** The input of developer expertise in the conveyance agreement negotiations can add a "reality check," pointing out the implications to the development process of poorly defined or unnecessary restrictions that increase uncertainty and thus lower the property's ultimate investment value.

**Abiding Concerns:** None.

#### EXPEDITE TOXIC REMEDIATION

**Action:** Use developer commitment and resources to strengthen the LRA's position in negotiating for expedited clean up and/or early transfer of property. Seek developer input regarding the most appropriate order and priority for clean up at the parcel level.

**Implementing Actor:** LRA.

**Intended Result:** To expedite and rationalize the remediation and transfer of contaminated parcels.

**Measure of Success:** The expedited clean up of contaminated parcels on a schedule that optimally supports the redevelopment process.

**Lesson Learned:** Having developers committed in some level of binding agreement can lend credibility to the LRA's claims that an expedited clean-up schedule is imperative. The developer can also supplement the LRA's negotiation efforts with its own staff legal expertise.

**Abiding Concerns:** If the LRA's redevelopment priorities are different from those of the developer, it will be necessary to moderate the developer's input regarding the clean-up schedule.

## USE APPROPRIATE DEVELOPER INVOLVEMENT

**Action:** Structure developer involvement, if any involvement is desired, through an arrangement appropriate to the LRA's goals, resources, willingness to accept risk, and internal level of expertise. Evaluate the pros and cons of the full range of potential relationships (see *Reconnaissance Report*) before deciding on the developer role.

**Implementing Actor:** LRA.

**Intended Result:** To gain from the expertise and resources of a private sector developer without sacrificing community reuse goals.

**Measure of Success:** Successful implementation of the reuse plan at the lowest possible cost to the public.

**Lesson Learned:** LRAs have varying skills, resources, and mandates. Developer involvement has been successfully utilized through a variety of arrangements, with varying levels of risk and return being accepted by the LRA.

**Abiding Concerns:** None.