



CONCORE INSIDER

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SO YOU WANT TO GET INTO REAL ESTATE DEVELOPMENT

PRE-DEVELOPMENT

Phase 1

Due Diligence, Project Feasibility & Site Selection

This is the first in a series of articles about ground-up real estate development projects in which I will take you through the entire process in three stages: Pre-Development, Construction and Project Close-Out. This issue will cover the first part of Pre-Development for a ground-up development, which I've divided into three initial segments . . . Due Diligence, Project Feasibility and Site Selection.

Ground-up real estate developments are quite different from, say, an interior renovation, and there are challenges that are specific and unique to only ground-ups. The obvious difference is that you're dealing with zoned, raw, undeveloped or cleared open land versus an existing structure. A ground-

“Go into a deal as conservatively as you possibly can.”

up is literally like a fresh canvas. In contrast, existing and especially older buildings usually require critical improvements to be made, with details that can quickly become costly. Upgrades such as seismic

retrofitting or dealing with MEP issues that are in need of correction, sometimes to an extreme. But with a ground-up, you have more opportunities to lock-in material costs and get longer lead times for delivery than with an interior renovation of an existing structure.

Where To Start . . .

Meticulous Due Diligence Is Essential

Performing comprehensive due diligence is absolutely essential when putting together a



successful real estate development deal. Doing it properly will literally make or break a deal. In fact, way before any property is acquired or construction can occur, a certain amount of money needs to be invested in the all-important due diligence process. That initial investment isn't a lot compared to the budget of the actual deal, but it's not insignificant, so you need to be prepared to ante-in from the start.

From my professional experience dealing with many ground-up deals, I've developed two basic rules of thumb to get it right the first time. One is to be prepared for some really extensive legwork. There's no fooling around when it comes to digging-up all the details and facts necessary to clear one's way through extensive due diligence. The other — perhaps the most important component in the entire development process — is to make sure you put together the “*Right Team*” that will not only be instrumental initially, but down the line will also play an important role as a project proceeds and both the demands and the number of members of the team grow.

Put Together A Crack Project Feasibility Team

Although the members of your project team will grow in numbers as the development evolves, the key team members to perform due diligence should always include a civil engineer, an architect, a land-use attorney and a construction manager. Good communication between these members is critical, and it's always most beneficial for them to have worked together in prior projects, and even more importantly, critical for them to have local or regional experience in the geographic area you're looking to build your development in.

“Be ‘The Devil’s Advocate’— Pick the deal apart every way possible to confirm that it will fly.”

Take for example, hiring a team or a member from Southern California for a project in the San Francisco Bay Area and expecting them to be able to accomplish what a Northern California team, particularly a local team, can get done smoothly without a hitch — because they already know “the territory.” Familiarity with the regional community, jurisdiction and government planning and building authorities in which the property is located can aid immeasurably in ensuring a smooth progression through the initial stages of the project — and beyond. After all, when you have the right team assembled, you'll have the confidence and assurance that you'll get

what you want in the end. It's a reasonable bet that you'll likely get your entitlements to build specifically because you have a crack, local team — Otherwise, with a team from outside the area you may easily have to go back to square one — and possibly go back there more than one time.



Having an expert local team also allows you to take-on certain risks you otherwise might not take, such as moving forward with a commitment to initial designs, knowing that the granting of entitlements aren't likely to have issues because the team already knows the kind of designs a planning department is looking for. What's submitted is already prepared the way the local authorities would be more open to approving. We're talking about basic attributes of an exterior design — modern or retro- craftsman? Hardi-Plank siding or stucco? All types of factors that need to be taken into account up-front.

Another scenario might be when you're dealing with local code issues for a particular neighborhood. Factors such as what is currently allowed to be built on



the site as well as what *could potentially be built* on the site instead? Details like density and how many units can be built? What would the building(s) look like? What parking is required? Or how high can the buildings be, and what are the required set-backs from streets and property lines? All critical advance information to know in advance when going into a deal. It's information that only local land-use attorneys, architects and engineers will already know when it comes to existing local code requirements.

Select The Right Building Site

The third segment of Phase 1 of the Pre-Development process is finding and selecting the right site to build-on. When determining the property parameters, essential preliminary efforts, including market research are required to define what the best use of



a property will be, complementing the discoveries and determinations that the project feasibility team will have already made, and, in combination, ensuring a smooth path to securing entitlements.

When selecting a prospective property you need to make certain that the deal makes sense practically, environmentally and most importantly, financially. This stage also includes a detailed demographic



ASK MEHRAD

GOT A QUESTION ABOUT CONSTRUCTION OR REAL ESTATE DEVELOPMENT?

Cameron T. Asks . . .

“What are some of the biggest hurdles you are seeing in the construction industry today and what/how has that changed from when you first started?”

That's a very easy one to answer!
Volatility.
Material Shortages.
Price Fluctuation.

Ed Z. Asks . . .

“Have municipalities relaxed their permitting requirements for new construction or improvement projects post-Covid?”

We have not seen any relaxing of requirements. What we have seen is that permit process/approvals in major cities like SF and Oakland are still taking way longer than they should due to lack of man power and working from home. But requirements have not been eased.

Submit Your Questions

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Look for answers to appear in a future issue of CONCORE INSIDER

study of the considered area — one of the most important key components when determining a site for acquisition. It's also essential to determine the type of development that best fits the prospective site: Commercial? Single-Family Residential? Market-Rate or Affordable Housing Multi-Family Residential?

The Next Steps — Phase 2

Clearly, obtaining local government approval for a development project is, without question, one of the primary goals of performing the due diligence, project feasibility and site selection stages of the Pre-Development process — but by no means the only goal. There's Phase 2 of Pre-Development — the designing of conceptual plans and renderings, actual acquisition of the site, preparation of budgets and of course, securing permits — all before any actual construction can begin — and more often than not, these stages can occur over a period of months down the line. You've



got to make sure you're ready — and wearing your "patience and perseverance shoes" for the long journey ahead! So, don't miss the next Concore Insider, where I'll delve into

how your project feasibility team will expand its talents and resources in completing Phase 2 of Pre-Development. After that, we'll then jump into the real meat of a real estate development project — the construction phase. Stay tuned and enjoy the rest of the summer! 

“Once everything checks-out and you see it as the right fit, then go forward with the deal”

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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