Development Planning and Feasibility for the Olivette Opportunity Area

Prepared for
The City of Olivette

September 28, 2015

DEVELOPMENTSTRATEGIES®

Process

Market Strategy Review

Development Planning: Opportunity Areas

Development Planning: Feasibility Testing

Next Steps

Timeline

JUNE

Kick-off & Context Analysis

- Stakeholder Interviews
- Marketability Analysis
- 〉 EDC Kick-off

JULY

Real Estate Market Analysis

- Supply & Demand Analysis
- 〉 EDC Presentation

AUGUST

Market Strategy

- Targeted Housing/ Development Products
- Placemaking Recommendations
- Anchors and Amenities
- 〉 EDC Presentation

SEPTEMBER

Development Planning

- Catalyst Sites
- Development Densities
- Feasibility Testing
- 〉 EDC Presentation

OCTOBER

Fiscal Impact Analysis

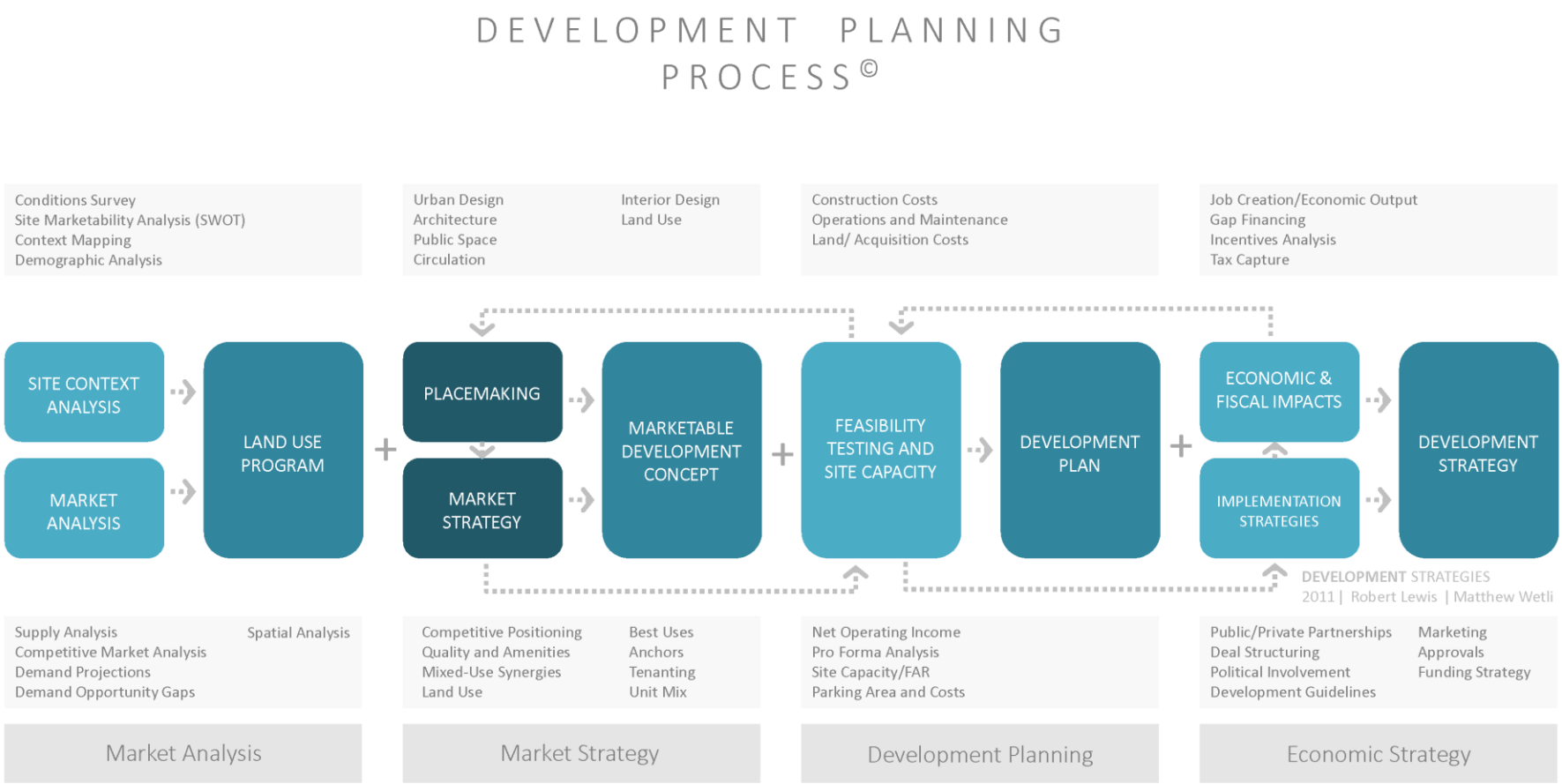
- Funding Strategies
- Final Recommendations
- 〉 EDC Presentation

NOVEMBER/ DECEMBER

Final Document & Presentation

- Document development
- Revise based on feedback
- 〉 Council Presentation

Process: Development Plan



Process

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Next Steps

Placemaking and Value Creation

The Promenade
Image Source: Matthew Wetli

Quality of place can have a profound impact on local markets and economies.

Market Strategy: Placemaking and Value Creation

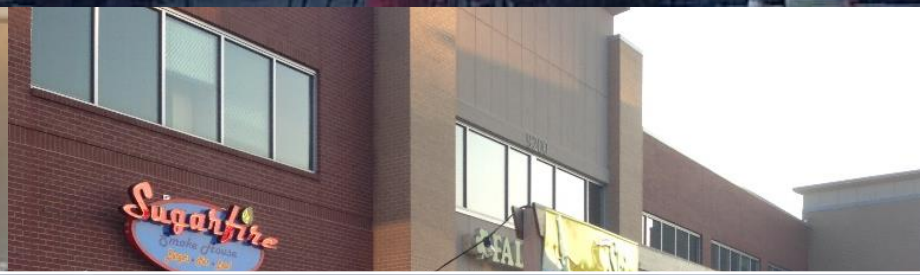
Mixed Use & Town Centers

Historic Main Streets

Parks

Walkable Neighborhoods

Greenways



BIG PICTURE STRATEGY

- Create a definable place/town center
- Leverage Central County demand for housing
- Expand options for broader range of life phases
- Target housing products to changing lifestyles
- Expand dining options
- Set a new precedent for development
- Improve walkability/livability
- Remove and replace blight
- Improve “front door” image

Area Specific Strategies

1) Work with the market: Differentiation
2) Target the Product
3) Create a defined center
4) Enhance the public realm
5) Curate the tenant mix
6) Create the place

Target the Product: Residential

2

RENTAL APARTMENTS

Avg. Rent Per Month	$1,200 – $1,650
Unit Sizes (Sq. Ft.)	725 – 1,100
Avg. Rent Per Sq. Ft.	$1.50 – $1.70
Units Per Acre	35-40
Target Market	Young and Mid-Career Professionals

Target the Product: Retail

2

INLINE TENANTS

Lease Rate Per Sq. Ft.	$22 – $26
Parking Spaces	5/1,000 sq. ft. GLA
Bldg. Square Footage	50,000
Tenant Types	Mid-Upscale Restaurants, Coffee Shop

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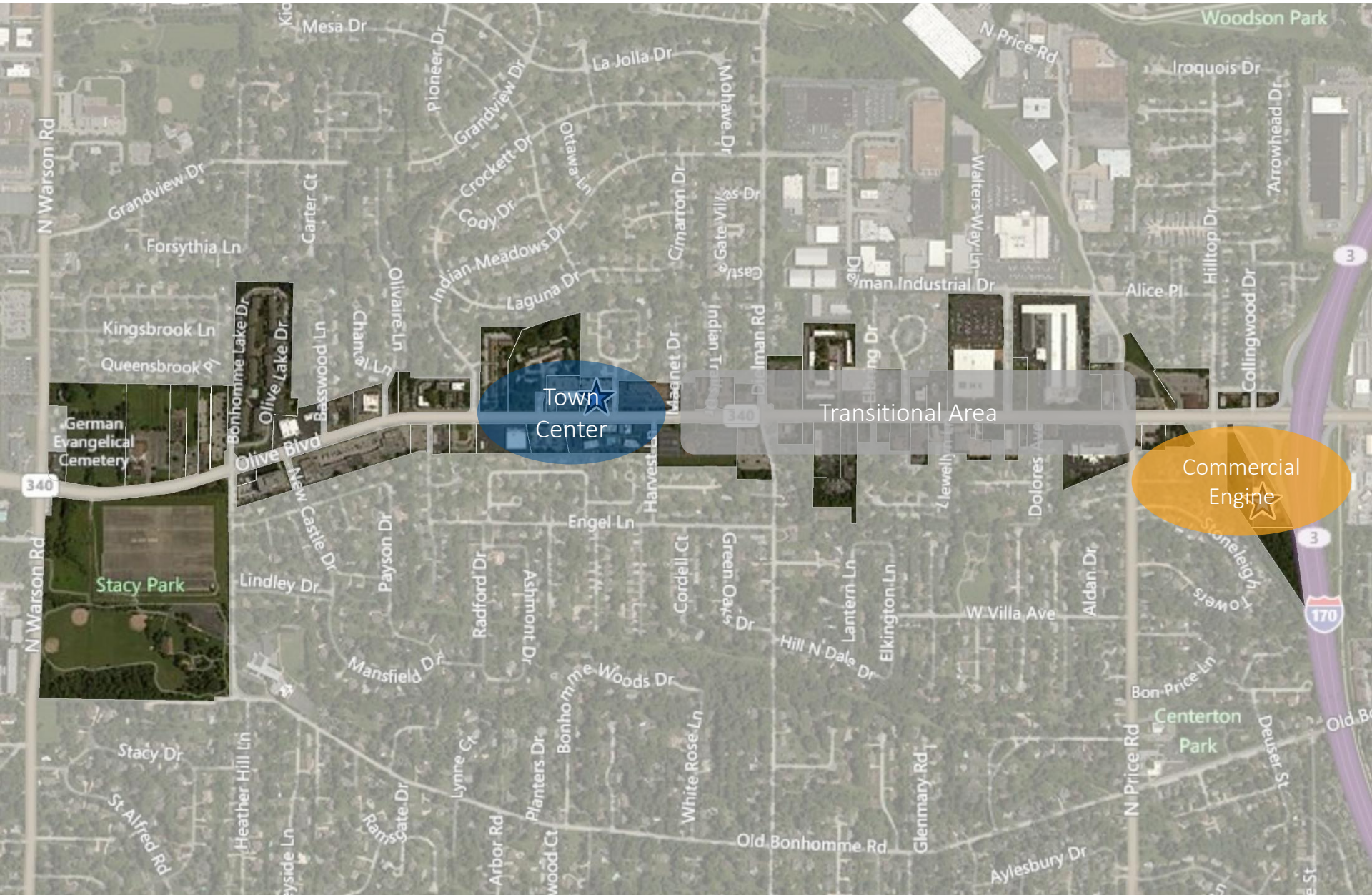
Opportunity Sites



Municipal Site: The Town Center

Interchange Site: The Commercial Engine

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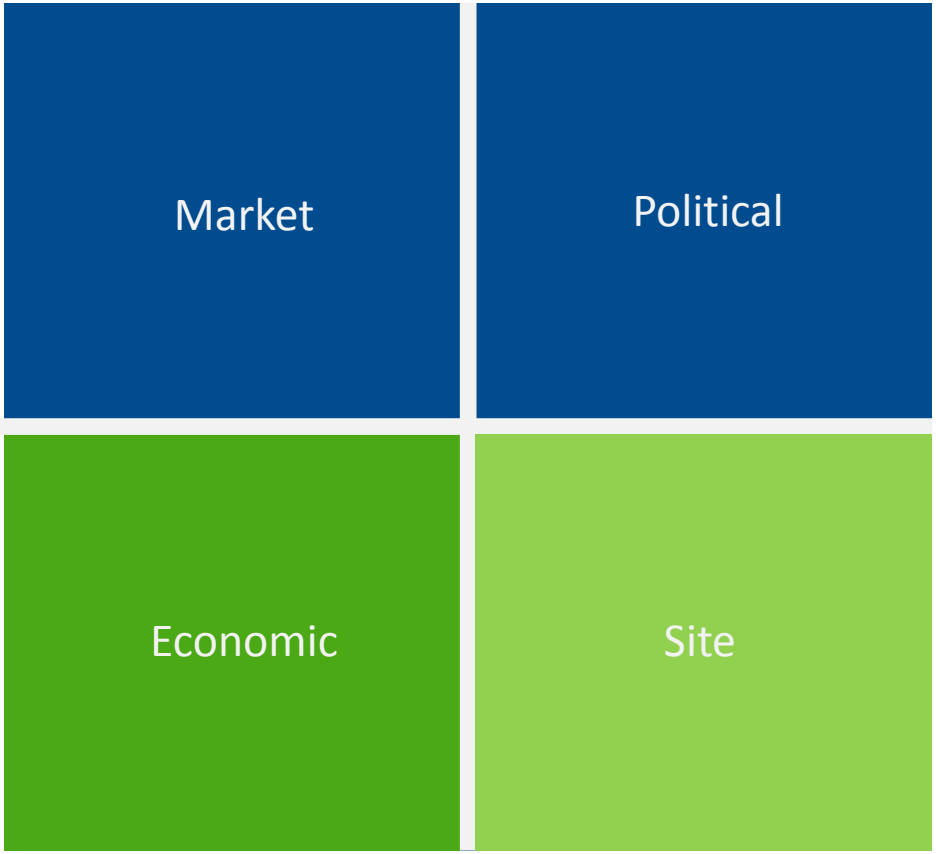
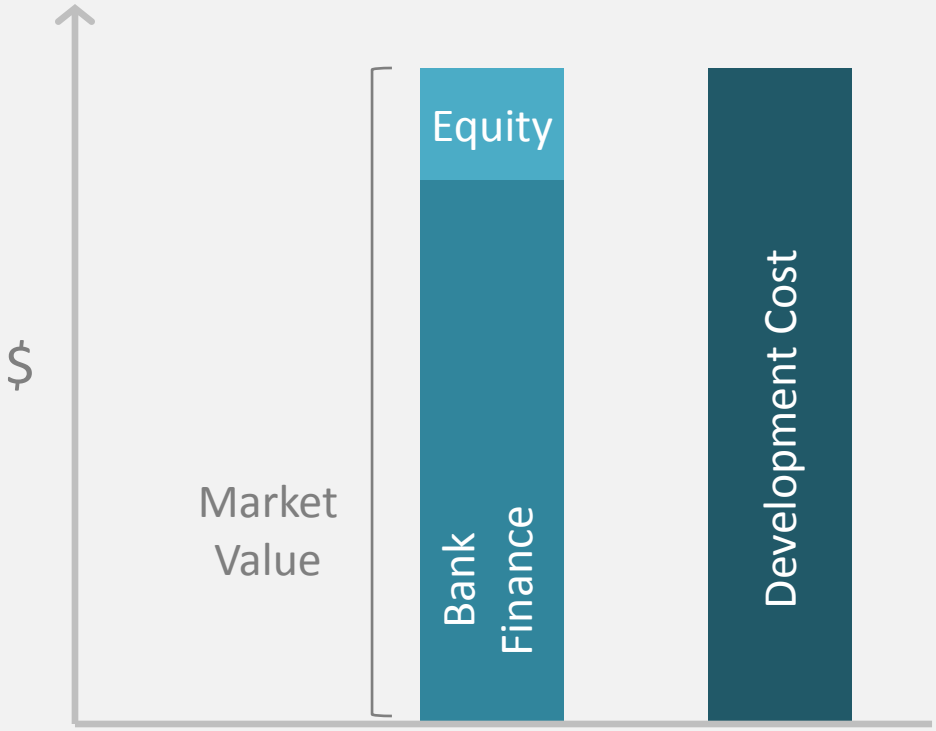
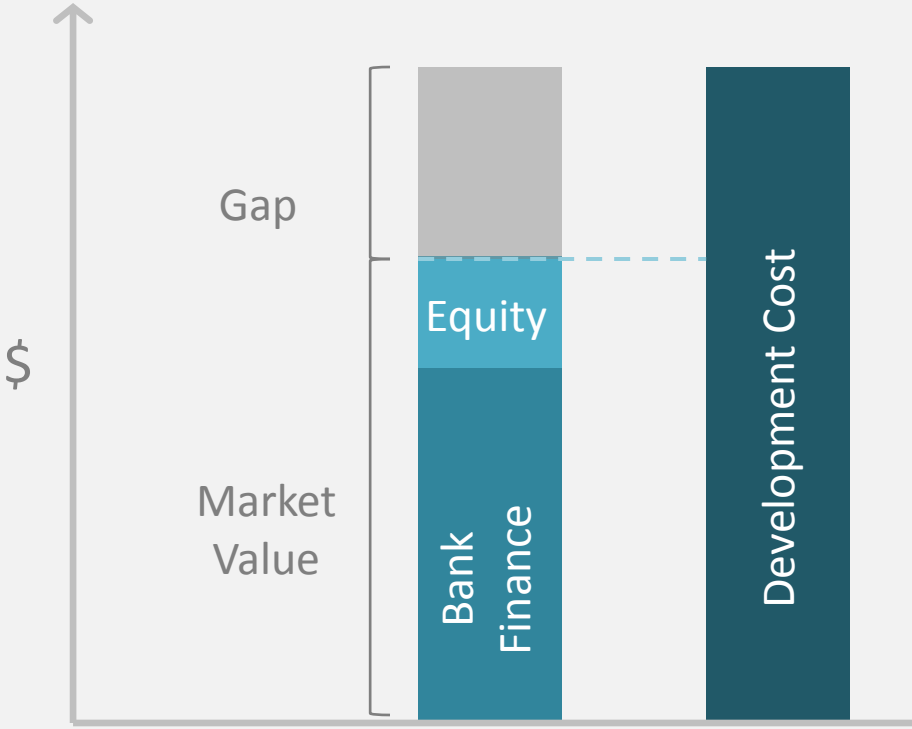
Economic Feasibility



The Four Points of Feasibility

Development Planning: Feasibility Testing





Land Values

INTERCHANGE RETAIL

$1M-$1.5M/acre

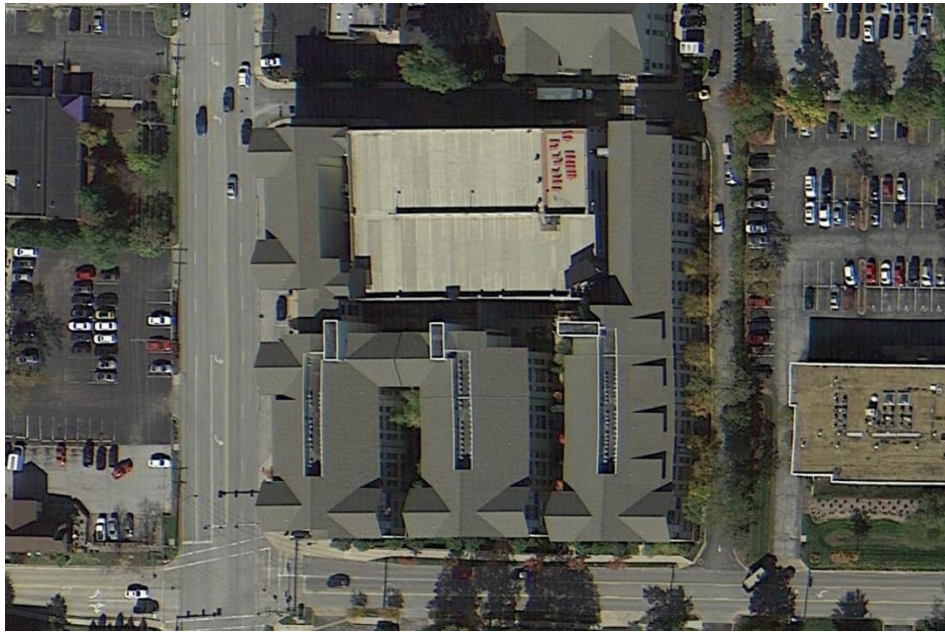
UPSCALE APARTMENTS

$400,000-$650,000/acre

Site Feasibility and Density

SURFACE PARKING

30 units/acre



GARAGE PARKING

60 units/acre

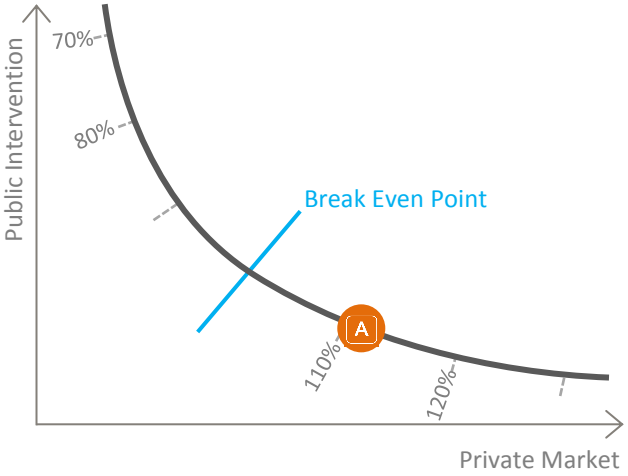
Town Center: Scenario 1

Municipal Site Alone:
1.4 Acres

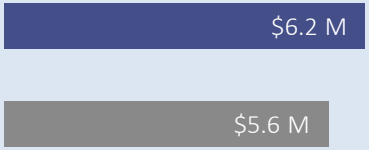
Town Center: Scenario 1a (Midscale)

Proposed Development Details

Residential	
Avg. Unit Size:	900 SF
Units/Acre:	30
Total Units:	40
Rent/Square Foot:	$1.40
Parking	60 spaces
Development Costs	
Residential (psf)	$120
Operating Exp (% EGI):	40%



Apartments with Surface Parking



$0.6M Surplus

111% Value/Cost

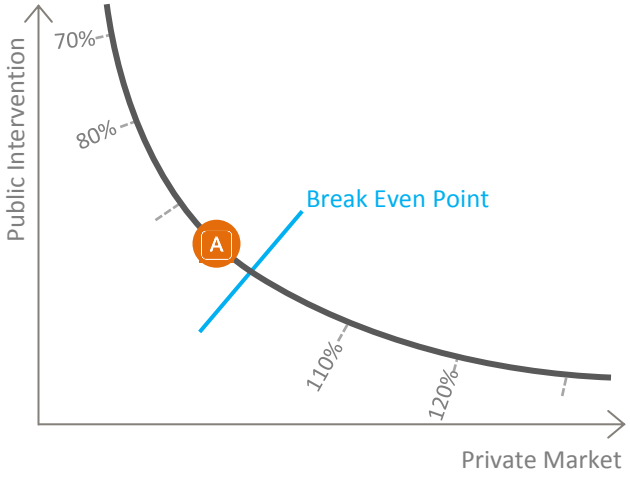
Development Costs Development Value

Implied Land Value: $400,000/Acre

Town Center: Scenario 1a (Upscale)

Proposed Development Details

Residential	
Avg. Unit Size:	900 SF
Units/Acre:	30
Total Units:	40
Rent/Square Foot:	$1.50
Parking	60 spaces
Development Costs	
Residential (psf)	$150
Operating Exp (% EGI):	40%



Apartments with Surface Parking

$0.4M Deficit

95% Value/Cost

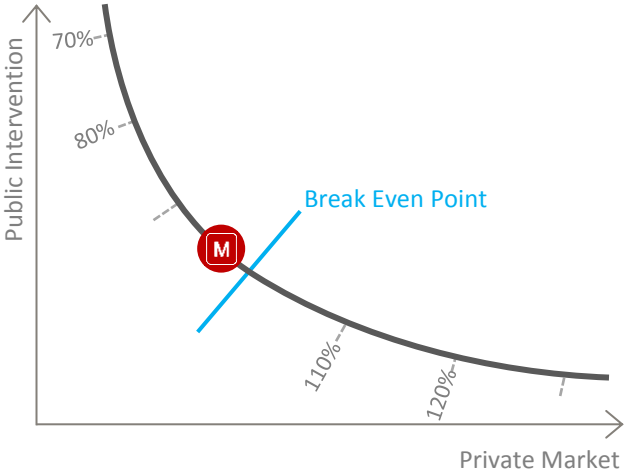
Development Costs Development Value

Implied Land Value: $0/Acre

Town Center: Scenario 1b (Mixed Use Deck Parking)

Proposed Development Details

Residential	
Avg. Unit Size:	900 SF
Units/Acre:	40
Total Units:	60
Rent/Square Foot:	$1.60
Retail	
Total Area	12,500 SF
Rent/Square Foot	$15.00
Parking	154 spaces
Development Costs/ Square Foot:	
Residential	$173
Retail	$198



Mixed-Use with Deck Parking

$0.4M Deficit

97% Value/Cost

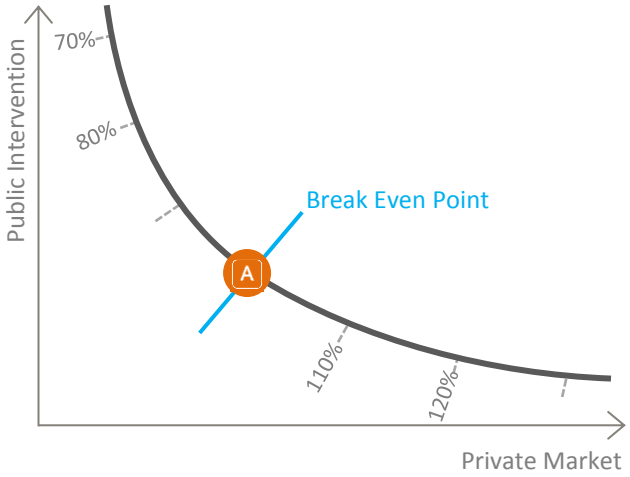
Development Costs Development Value

Implied Land Value: $0/Acre

Town Center: Scenario 1c (Apartments and Structured Parking)

Proposed Development Details

Residential	
Avg. Unit Size:	900 SF
Units/Acre:	68
Total Units:	102
Rent/Square Foot:	$1.60
Parking	176 spaces
Development Costs/ Square Foot:	
Residential	$178



Apartments with Garage Parking

$0M Deficit

100% Value/Cost

Development Costs Development Value

Implied Land Value: $0/Acre

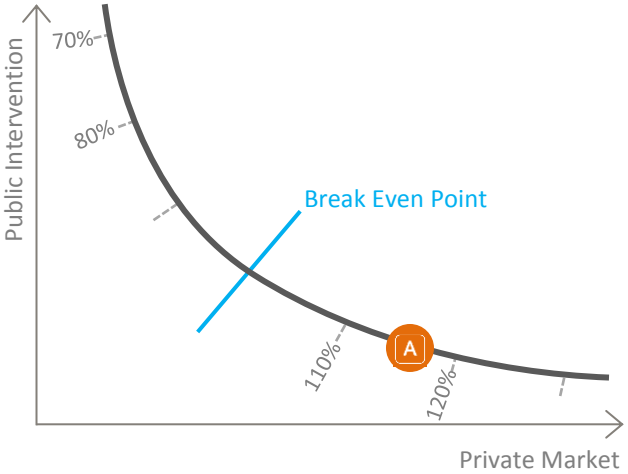
Town Center: Scenario 2

Municipal Site plus two adjacent sites (Timekeepers and Jade Garden):
2.9 Acres

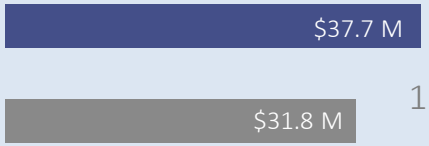
Town Center: Scenario 2a (The Slam Dunk)

Proposed Development Details

Residential	
Avg. Unit Size:	900 SF
Units/Acre:	68
Total Units:	205
Rent/Square Foot:	$1.60
Parking	305 spaces
Development Costs/ Square Foot:	
Residential	$150



Apartments with Garage Parking



$5.9M Surplus

118% Value/Cost

Development Costs Development Value

Hypothetical Land Value: $2,000,000/Acre

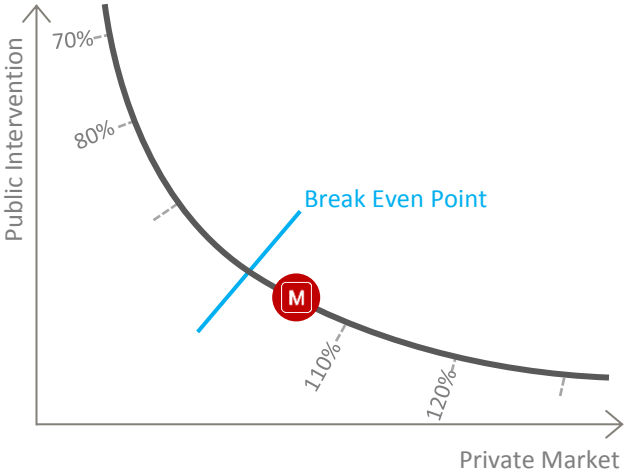
Town Center: Create the Place

- Sense of Enclosure
- Height
- Materiality
- Urban Landscape
- Parking Orientation
- Setbacks
- Lot Depth
- On-Street Parking
- Façade Renovation
- Quality Suburban

Town Center: Scenario 2b (Value-Added)

Proposed Development Details

Residential	
Avg. Unit Size:	900 SF
Units/Acre:	65
Total Units:	195
Rent/Square Foot:	$1.70
Retail	
Total Area	9,000 SF
Rent/Square Foot	$15.00
Public Plaza	15,000 SF
Parking	295 spaces
Development Costs/ Square Foot:	
Residential	$178
Retail	$218



Mixed-Use with Garage Parking

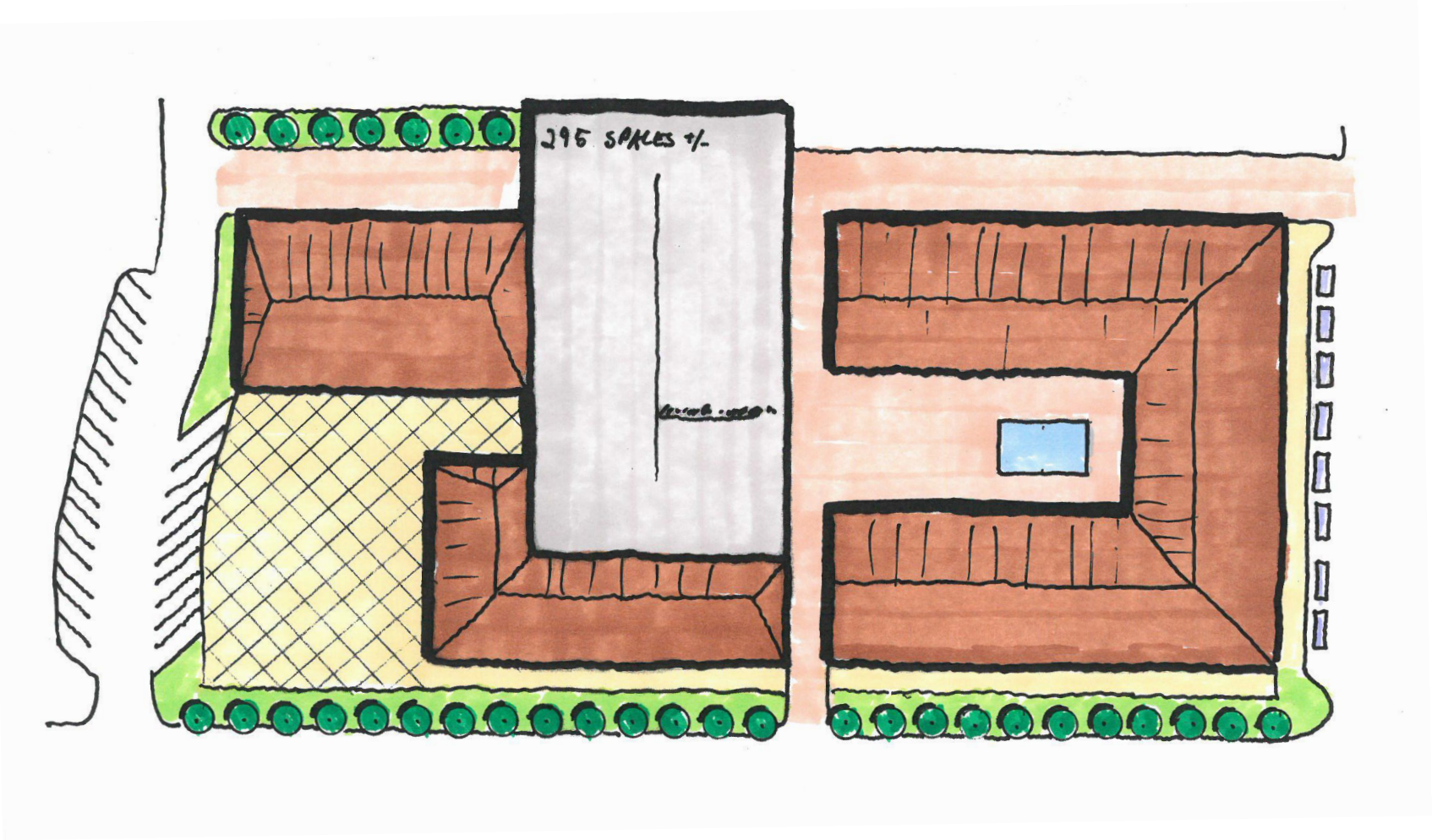
$1.5M Surplus

104% Value/Cost

Development Costs Development Value

Implied Land Value: $500,000/Acre

Town Center: Scenario 2b



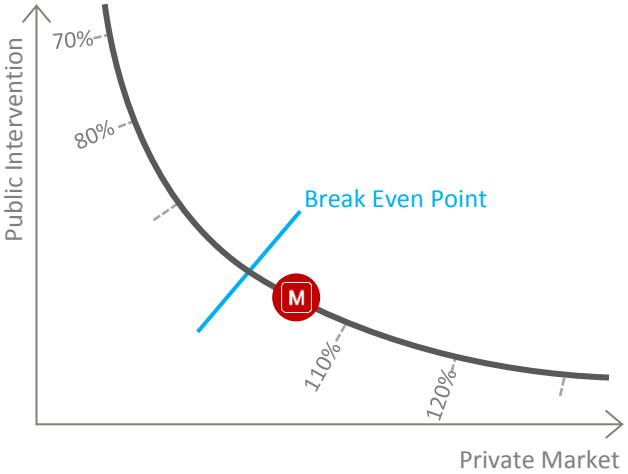
Town Center: Scenario 3

Municipal Site plus two adjacent sites (Timekeepers and Jade Garden) plus open space across Tower Hill Drive:
3.9 Acres

Town Center: Scenario 3

Proposed Development Details

Residential	
Avg. Unit Size:	900 SF
Units/Acre:	65
Total Units:	199
Rent/Square Foot:	$1.70
Retail	
Total Area	9,000 SF
Rent/Square Foot	$15.00
Parking	295 spaces
Development Costs/ Square Foot:	
Residential	$178
Retail	$218



Mixed-Use with Garage Parking

$1.5M Surplus

104% Value/Cost

Development Costs Development Value

Implied Land Value: $500,000/Acre

Town Center: The Winners

LOW-LYING FRUIT APARTMENTS	MIXED-USE AND PUBLIC SPACE
$500,000-$700,000/acre	$250,000-$400,000/acre

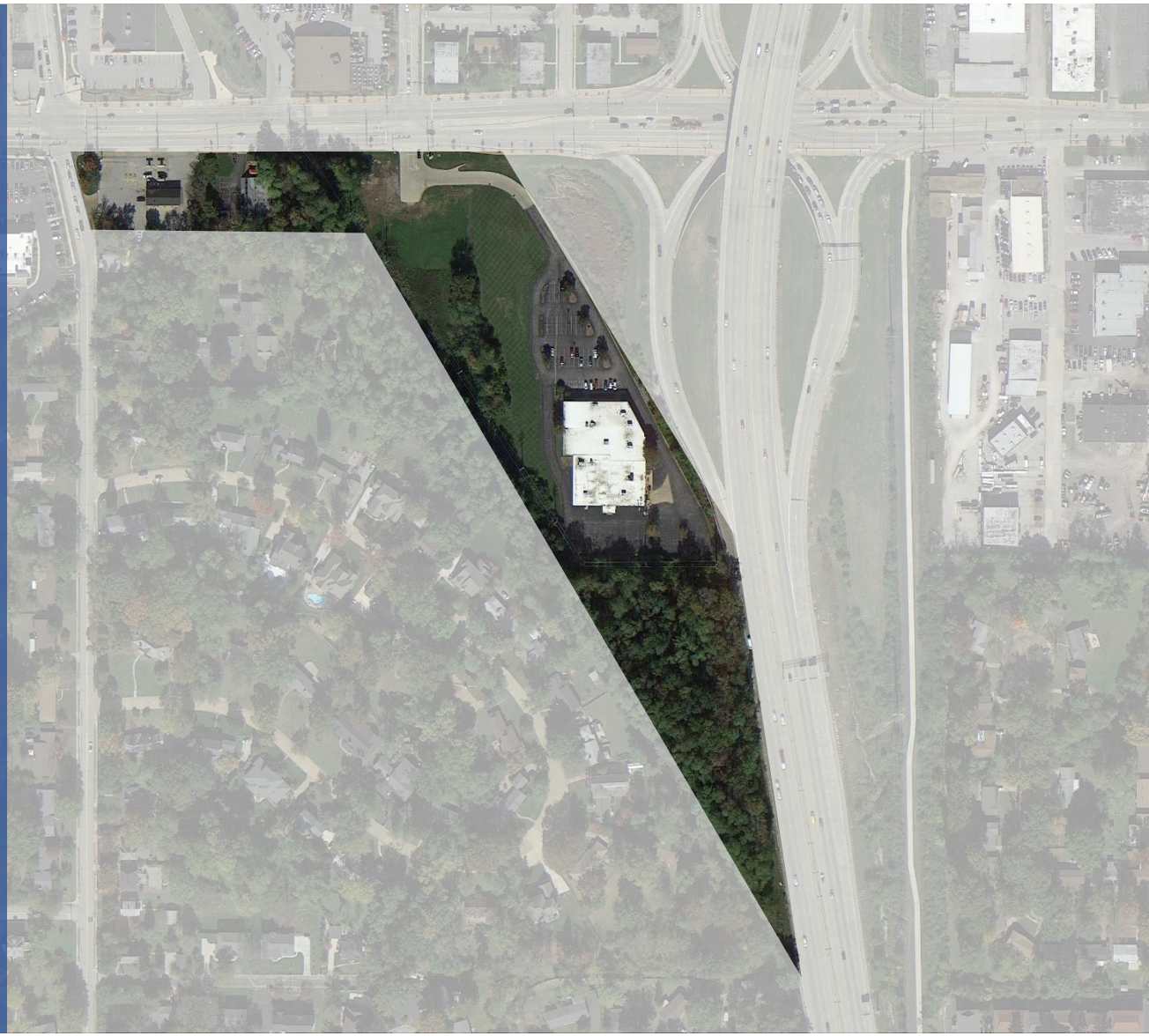
MUNICIPAL SITE SUMMARY

- Land price versus quality
- Land price versus mixed use
- Quality + amenity = win, win, win…
- Three acres is better than one (and a half)
- Residential pays the bills
- Retail: does not pay the bills
- Public space/plaza: developer's gonna need help

Commercial Engine

Southwest quadrant of Olive Blvd. and I-170 Interchange (Mixed-Use Gateway District):

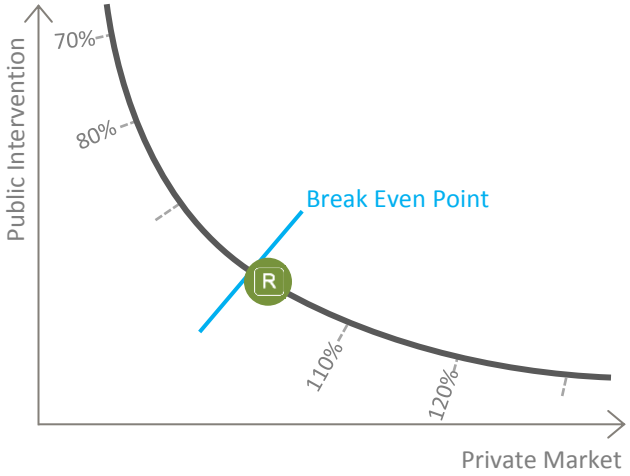
- 10 Acres
- $750K/acre land costs

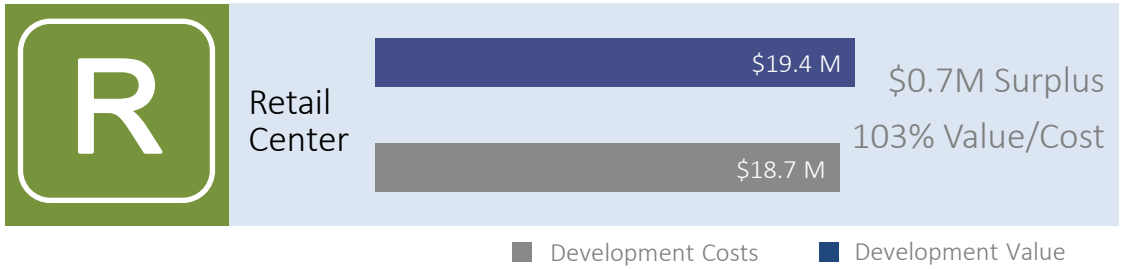


Commercial Engine: Scenario 1

Proposed Development Details

Supermarket	
Total Area:	50,000 SF
Rent/Square Foot:	$18.00
Inline Retail	
Total Area:	40,000 SF
Rent/Square Foot:	$24.00
Development Costs/ Square Foot:	
Supermarket	$120
Inline Retail	$150
Land Cost/Acre	$750,000

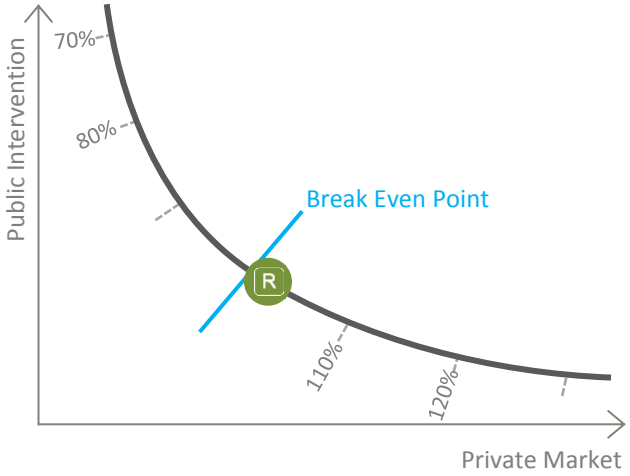


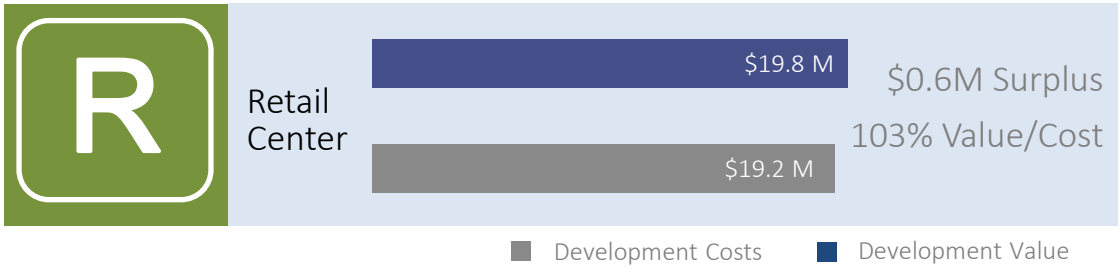


Commercial Engine: Scenario 2

Proposed Development Details

Supermarket	
Total Area:	35,000 SF
Rent/Square Foot:	$18.00
Inline Retail + Junior Anchor	
Total Area:	55,000 SF
Avg. Rent/Square Foot:	$23.00
Development Costs/ Square Foot:	
Supermarket	$120
Junior Anchor/Inline Retail	$150
Land Cost/Acre	$750,000





Commercial Engine: Overall Figures

Value	$19,600,000
Cost	$19,000,000
Building	$11,500,000
Land	$7,500,000
Demolition	$???
Remediation	$???
Extra Site Dev	$???
Surplus/Deficit	$600,000

INTERCHANGE SITE SUMMARY

- Retail is king
- Some subsidy likely needed
- Three key variables

- Acquisition costs
- Remediation costs
- Extraordinary infrastructure costs

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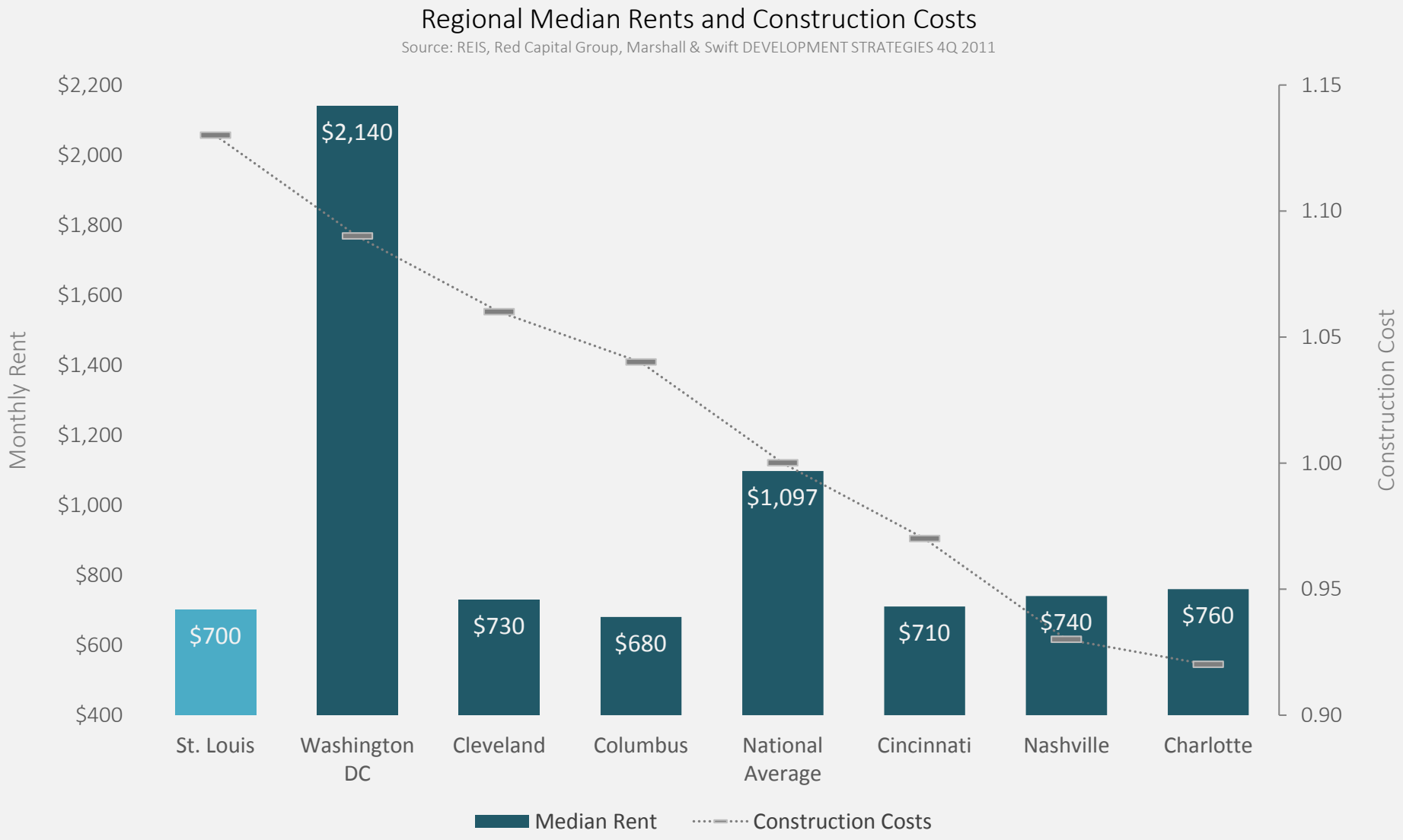
Regional Costs and Revenues



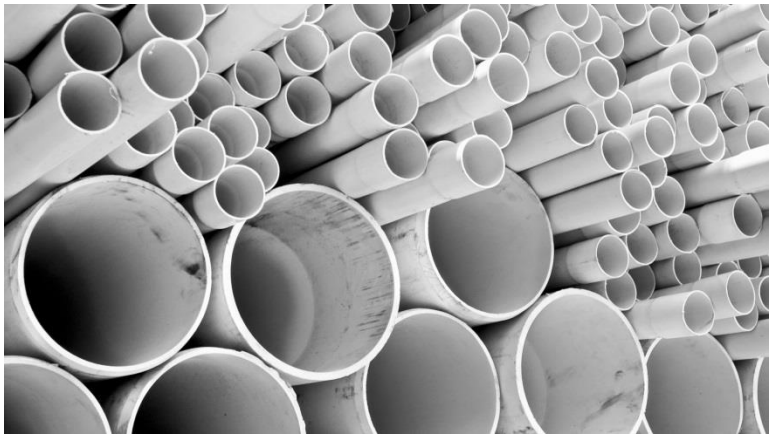
Regional Labor Costs

Average Compensation for a Plumber

Source: Find the Data; Salaries by City (2013)

Cleveland	Columbus	Cincinnati
$26 Hourly Wage	$26	$24
$55,000 Annual Wage	$55,000	$50,000

St. Louis	Charlotte
$32	$19
$66,000	$40,000



Comparative Materiality and Building Costs

Aventura, St. Louis

Post Properties, Uptown Charlotte

Post Properties, Uptown Charlotte

Feasibility Factors

Development Value Elements

- Rents/Revenues
- Operating Expenses
- Net Operating Income (NOI)
- Development Costs
  - Materials
  - Labor
  - Development Fee
- Land Costs

Value Estimation Measures

- Discount Rate
- Interest Rate
- Capitalization (“Cap”) Rate
- Debt Coverage Ratio (DCR)
- Loan-to Value Ratio (LTV)
- Inflation Rate