HAMILTON DEVELOPMENT

THE COMMERCIAL REAL ESTATE DEVELOPMENT PROCESS (STEPS FOR A SUCCESSFUL PROJECT)

EQUITY RAISE (Due Diligence – Feasibility)

LAND LOAN (Contract Negotiations – Design & Engineering)

1. SITE SELECTION & EVALUATION

We identify a property for development that meets our basic site requirements. The property can be vacant land or an existing building.

We try to accomplish this phase with in-house resources

Timeline (varies): 30 days

- *Identify the property.*
- *Pull comparable (comps) properties for valuation.*
- *Preform a market analysis.*
- *Preform a preliminary zoning analysis*
- *Rate project against company values, mission and strategy.*

2. DUE DILIGENCE

We investigate facts about the physical and financial condition of the property and the area the property is located in.

Working capital: transaction and due diligence costs

Timeline (varies): 30 - 90 days

- *Collect documents related to the property from the seller (see due diligence checklist for documents to be collected or procured).*
- *Preform initial underwriting.*
- *Develop the proforma*
- *Preform site walks with stakeholders.*

3. FEASIBILITY

We evaluate the viability of the proposed project to find the highest and best use, balancing the design/end product while also maximizing returns.

Working capital: preliminary design and engineering costs

Timeline (varies): 30 - 90 days

- *Engage building scanner for As-built drawings & model.*
- *Engage civil engineer for preliminary site layout & configuration.*
- *Engage Architect or Land planner for zoning analysis.*
- *Preliminary project meetings with local jurisdiction.*
- *Entitlements.*
- *Create an offering memorandum and begin investor outreach.*

4. CONTRACT NEGOTIATIONS

The purchase and sale agreement is negotiated and agreed upon. On the date of closing all funds must be secured to take down the property.

Acquisition and closing costs

Timeline (varies): 30 - 60 days

- *Engaging lenders to secure the land loan.*
- *Engage an attorney to create the purchase and sale agreement.*
- *Amendments to the purchase and sale agreement. The most common of these is an extension to give more time to secure financing and develop the design.*
- *Engage insurance providers.*

5. DESIGN & ENGINEERING

Designers create a set of construction documents that outline the design intent from the owner. These documents are then used for permitting and construction.

Working capital: pre-constuction, design, and engineering costs

Timeline (varies): 90 - 180 days

- *Programming of the intended use and arrangement of the building/site.*
- *Schematic design drawings.*
- *Design development drawings.*
- *Construction document drawings.*
- *Coordination with various consultants specific to project requirements. (Branding, Food service, AV, Traffic, Geo-technical, Acoustical, etc.)*

Able to happen simultaneously (Due Diligence – Contract Negotiations)

CONSTRUCTION LOAN (Bidding & Permitting – Construction)

OPERATING LOAN (Property Operations – Sale/Refinance)

6. BIDDING & PERMITTING

The construction drawings are submitted to the local jurisdiction for approval while a short list of contractors bid on the construction work.

Working capital: permitting costs

Timeline (varies): 90 - 150 days

- *Local jurisdiction approvals (building, life safety, zoning, stormwater, etc)*
- *The project goes to bid, where general contractors review the drawings, preform site walks, issue request for information and create construction budgets.*
- *A general contractor is selected to carry out the construction work and a contract is negotiated.*

7. CONSTRUCTION

Starting with demolition and going through interior finish work the project is built. Each major trades work is inspected and approved by the local jurisdiction.

Owner furnished items and construction draw costs

Timeline (varies): 180 - 360 days

- *Approve payment applications and construction draws from the general contractor.*
- *Engage architects and engineers for construction administration. This includes site walks, responding to RFI's and change order requests.*
- *Hold owner, architect, contractor meetings for project schedule adherence.*

Able to be phased (Bidding & Permitting – Construction)

8. CERTIFICATE OF OCCUPANCY

The local jurisdiction issues a certificate of occupancy stating the building can be occupied for its intended use. This is the final step in opening the property.

Working capital: opening costs

Timeline (varies): 30 days

- *Receive certificate of occupancy.*
- *Complete project closeout and punch list with contractor.*
- *Review the proforma given any changes to the project financials.*
- *Purchase operating supplies for opening.*
- *Perform marketing for property*
- *Perform project retrospective with team to discuss lessons learned.*

9. PROPERTY OPERATIONS

Operate the property within the planned budget and communicate project health to investors.

Operational costs

Timeline: until sale

- *Add tenant and lease information into property management database.*
- *Rent collection.*
- *Asset maintenance.*
- *Financial reporting.*
- *TICAM reconciliations.*
- *Lease and renewal negotiations.*
- *Lease adherence and enforcement.*

10. SALE/REFINANCE

Exit the project through a sale and issue project returns to investors or refinance the project to secure permanent debt after project stabilization.

TBD.

Timeline (varies): 360 - 720 days from opening

- *Property proformas.*

** All projects vary. This development timeline attempts to capture the major phases associated within a typical project. A mid-sized project following this approach can take anywhere from one to three years for completion (although this may not always be the case). It is key to remember the sequence of these phases. If a project timeline is accelerated more upfront capital will be necessary to allow for phases to happen simultaneously (this inherently adds more risk to the project).*