

A Developers Perspective

The Great Balancing Act



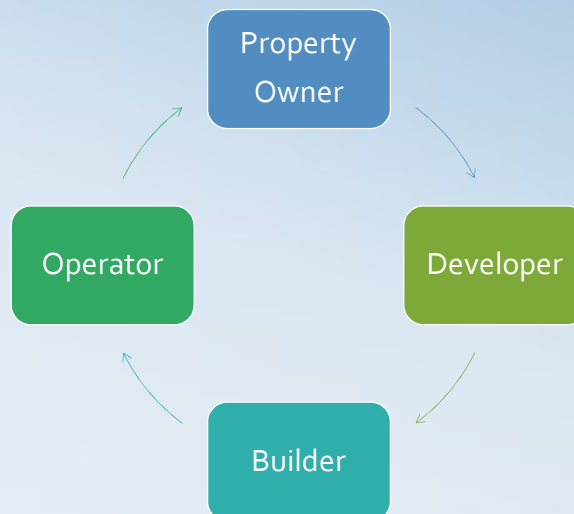
- What is a “Developer” & What do they do?
- Balancing Act – Competing Interests
- A Case Study: Mission Crossings
- Novato – Opportunities & Constraints
- What you can to influence Developers

Tonight’s Agenda

Chris Zaballos:

- Head of Project Entitlement at Meritage Land Company
- Long time Commercial, Residential, & Agricultural Real Estate Developer / Owner / Operator
- Meritage Homes is the 7th largest Homebuilder in the Nation
- Built and Sold 7,000 homes across the country last year and has been in business 32 years
- Meritage Land Company (MLC, Holdings) is the development arm of the company and focuses on entitlement of raw land

Who Am I?



What is a "Developer"?





The State

- More density! More housing!
- More affordable housing
- Rigid building code / Green homes with solar
- Public Labor Agreements / Union trades only
- Compliance with CEQA (6 – 18 months)

Stake Holders & Competing Interests

City Planning Staff / City Public Works

- The General Plan / Specific Plan / Zoning Code is the Bible don't deviate
- We need more tax revenue, bring us a Hotel or Auto Dealer
- Wait until we are done with our update of XYZ
- We need more Density! Bring us a condo tower
- We need less Density! Bring us 1-story ranch homes
- Pay for these upgrades 5 miles away from your site and all improvements on our wish list
- More Fees Please!

Stake Holders & Competing Interests

Planning Commission / Design Review Commission

- Show me 10 iterations of the design with full construction drawings and civil engineering plans
- Make the homes super fancy but also make them affordable
- It should look like this project I saw in Paris/London
- I know you have worked on this with the city for 2 years but you should start over

City Council

- I ran on a growth / anti-growth platform so I can't vote for the project
- I don't agree with staff / the State / the community I won't vote for the project
- The project should be geared toward seniors / millennials

Stake Holders & Competing Interests

Community & Neighbors

- No more Housing and definitely no Affordable Housing
- I want an Apple Store / Whole Foods/Fancy Restaurant / Google & Amazon headquarters
- I don't want any big box stores! I want small local retailers only!
- Too much Traffic!! Too many People!!
- I like the site Vacant so I can walk my dog on it
- I can see it from my house so I want it to be invisible
- Not enough parking!!

Stake Holders & Competing Interests

The Money: Investors/Banks/Shareholders

- High Credit Big Box Retail Tenants Only! No financing retail otherwise
- More revenue / more profit / faster turn around / less risk
- No proof of concept? No financing
- Nothing too fancy! Keep it Simple! Build stucco box over and over again!

The Property Owner

- I want top dollar for my property and I want it ASAP
- I can't sell because: cash flow / tax implications / paid too much
- I hate Developers/Brokers/the City/ the State/ etc.

Stake Holders & Competing Interests

The Market

- Rents are X
- Homes sell for Y
- Costs are Z
- Preferences have changed and people want _____
- Tenants are not interested in the location
- Money is available/not available for this project

Stake Holders & Competing Interests

A Good Developer:

- Balances all of those competing interests to design the right project
- Acknowledges everyone's concerns and makes attempts to change the project and compromise where feasible
- Let's everyone shape and improve the project and while it will never make everyone happy, it will make MOST stakeholders happy
- Has a vested long term interest in the community

Stake Holders & Competing Interests



Case Study – Mission Crossings

Developer Strategy - How does a project come together?

Opportunities

- 10 acre flat infill site on Mission Blvd
- Surrounded by light industrial and high density housing
- Specific Plan that allows housing on portion of site
- Good market for medium density housing (14-20 du/acre)
- Reasonable impact fees (affordable, park, water, school, etc.)

Constraints

- General Plan & Specific plan imagines a walkable downtown retail scene on a dying 70s auto-row
- Planning staff / Public Works / Council / Commission / Community all have different interpretations of the specific plan
- Former auto-use with potential contamination
- Auto-focused uses surrounding site don't want to see change

Mission Crossings

Original Idea

- 164 three story homes
- Horizontal Park / Art walk along Mission
- Community Center
- Pay for community improvements give to city
- Reasoning was a lack of demand for commercial in this location

Feedback

- Community & Economic Development Commission Feedback
- Initial feedback from three council members and members of community was firm NO
- Desire to see major commercial along frontage
- OR....a Hotel

Mission Crossings – 1st Iteration

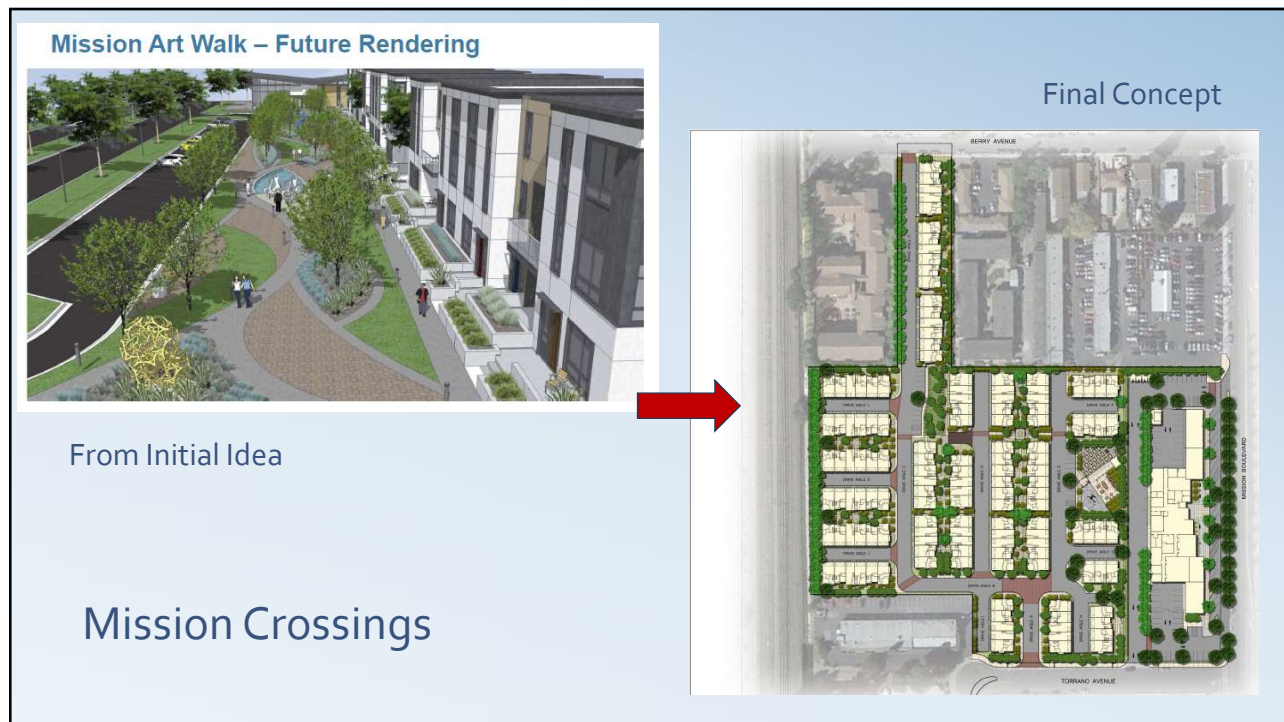
Hotel Partner Wants:

- Residence Inn extended stay brand
- Purchase least amount of acreage to keep costs down
- Maximum parking and convenience for guests
- Most typical architecture and amenities

City Wants:

- High end branded hotel
- Massive Conference Center
- Ground Floor Retail
- Rooftop bar
- One way slip lane along frontage
- Comprehensive Traffic Study
- Hotel and Economic Study

Mission Crossings – 2nd Iteration: A Hotel + Residential



- Public Works:
 - Disagreement between Council, Planning Staff, & Public works on the "Slip Lane"
 - Nothing could be agreed upon until completion of Traffic Study (6 months)
 - Wider streets, better circulation
 - Last minute offsite improvement fee for wastewater
- Specific plan:
 - Imagined a walkable all inclusive community with higher density and less parking (stacked flats and vertical mixed-use)
 - Arbitrary public right of ways through the site
 - Lots of open space and landscaping, less roads and pavement
- Last Minute Council Concerns
 - Local Auto-shops saw the redevelopment of the old Hayward Ford site as the nail in the coffin of the auto-row so they fought it hard
 - Affordable housing becomes a big concern in months before Council Hearing
 - Belief hotel will never be built

Mission Crossings – Final Challenges

- 93 room Hotel + Slip Lane + 7,500 sf of ground floor retail + 20,000 sf Urban Farm + 140 market rate three-story town homes
- Developers subsidized the cost of land for hotel partner in return for the ground floor retail and awkward slip lane orientation
- City ties 100th residential building permit to the construction of the hotel
- City endures a long row of garages in trade for a large centralized Urban Farm and some improved elevations in key areas

Mission Crossings – Final Compromises

Novato - Opportunities

- General Plan – being updated and emphasizes infill redevelopment and mixed use
- A lot of infill opportunity especially around the downtown
- Three SMART train stops
- Better commuter situation than Petaluma – still can commute to city
- High home prices & Rents yet more affordable than southern Marin
- Council, Commission, & Staff are encouraging of new projects (as long as they are done right)
- Existing & Successful bigger retail tenants in Vintage Oaks, Whole Foods and Trader Joes

Novato – A Developer’s Perspective

Novato – Challenges

- Many of the available pieces of land are small or constrained (next to a creek, high water table, shallow or inefficiently shaped)
- Downtown is made up of narrow parcels owned by different people which will need assemblage
- Very thorough and design-heavy entitlement process that can last 2-3 years
- Aging demographic, affecting type of retail tenants
- High Office vacancy – lack of significant job base
- Vintage Oaks includes big box retailers that may challenge the smaller neighborhood friendly retail model
- “Small town charm” can often be used as a road block to infill development
- Several instances of community uproar (housing element / Hamilton sports fields)
- Too suburban and car-oriented for vertical mixed use to prosper

Novato – A Developer’s Perspective

Novato – How to work with Developers

- Go to the early workshops and voice your opinion. Developers, Staff, and Council want to hear from you. Do not blindsides everyone at the final City Council Hearing with a new concern
- Reach out to staff and ask questions when you see a new project on the city website
- Go to the developer run community meetings and ask questions
- Avoid making snarky comments online and joining an angry mob – otherwise your interests and opinions can be lost or muddled
- Acknowledge that projects are a balance and a compromise of numerous interests, it is up to you to put your interest on the table and IMPROVE the project
- Embrace the idea that something like housing can pay for something that you want like a park, public improvement, or lifestyle retail

Novato – A Developer’s Perspective