



CONSTRUCTION & DEVELOPMENTS

By Don Ossey, SIOR

When Abraham Lincoln was asked what he would do if given six hours to cut down a tree, he said, “I would spend the first four hours sharpening my axe.” As an SIOR instructor I am very proud to help each student who passes through our designation courses, “sharpen their axe.”

As the current chairman of the SIOR Faculty Committee, I have an awesome honor and responsibility with my fellow instructors to share our experiences and expertise with the hundreds of students who attend our designation courses around the country each year. It is truly gratifying to extol the same core principles, ethics, and professionalism upon each of the aspiring SIOR designees that we, as SIOR members, hold so dearly.

For the past seven years I have been privileged enough to teach the construction

course that once belonged to our dear friend David Houston. When David made the decision to retire from the SIOR faculty, I was approached to step in — mighty shoes to fill! My degree in architecture from the University of Oregon (GO DUCKS) gave me a foundation to build upon the technical structure that David so eloquently presented.

My goal was to add to David’s presentation and provide the students with an understanding of the build-to-suit transaction, the construction, and the development process from site selection to move-in, and explain what brokers could do to add value for their clients (and get paid!).

So often when approached by a client to help them with a land search for a new building, we as brokers stop at the closing of the land sale and leave our clients to fend

for themselves. My course is set up to provide a template for brokers to engage our clients, add value through our strategic relationships, orchestrate the selection of a solid design-build team, and help our clients navigate through the entire process of new construction.

Speaking of strategic relationships, one of the most important aspects of our role in the development and construction process is our ability to be a “connector.” Simply put, we do not need to know everything about development and construction to provide a valuable service to our clients, but we do need to know somebody who does have the knowledge and technical expertise to analyze issues and offer advice on viable solutions. The project team chart offers a list of some of the most common strategic relationships we may need in a new construction project.

One of the key elements of the course is an in-depth discussion of the site selection process. The basis for helping our clients make solid decisions begins with a detailed needs analysis. I stress the fact that SIOR brokers do not behave like “puppy dogs” that simply chase the ball and show up with a list of solutions. We need to spend quality time with our customer in order to truly understand their business, space needs, and projections for growth. By engaging the client in the process, making them really think, and then adding our market knowledge, we can then influence their decision to design for current needs while maintaining a vision on the future functionality of the new building. We maintain a “macro” viewpoint in the early stages and keep our eye on the “exit strategy,” avoiding functional and economic obsolescence.

The class offers a strategy to take the site selection process to another level. In most of our markets Class A (or Tier 1) sites are taken and already developed. With that in mind, it is critical for a broker to understand the constraints of available land. When

The Project Team – Strategic Alliances

- **CLIENT**
- **SIOR Broker (Project Manager)**
- Developer
- Director of Planning/Buildings (Govt)
- **Architect/Engineer**
 - GeoTech
 - Environmental
 - Surveyor
 - Wetland Consultant
 - Civil
 - Structural
 - Mechanical
 - Electrical
 - Fire Protection
 - Landscape
 - Energy Efficiency
 - Facility/Process Engineer (Material Flow)
 - Roof Consultant
- **Contractor**
 - Sub-Contractors
 - Testing/Inspection
- Lawyer
 - Land Use Attorney
 - Environmental Attorney
 - Business Attorney
- Permit Specialist
- Economic Development Director (Govt)
- Appraiser
- Lender
 - Construction Financing
 - Permanent Financing
- Accountant
- 1031 Exchange Facilitator
- Economic Incentive Specialist

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- Zoning – Conditional Uses, Zone Changes
- Title Issues – Easements, Lot Line Adjustments
- Public Opinion – Design Review Process
- Review and Permit Process (Time – Social Engineering)
- Off-site Improvements Required – Hidden Costs or Taxes
- Taxes – Comparative Analysis
- Soft Costs Comparison
- Government fees: system development charges – traffic impact fees
- Real Property & Inventory tax impact on client’s business operations
- Economic Incentives (Tax Abatement, Energy Credits)
- Foreign Trade Zones/Enterprise Zone/CRA (Community Reinvestment Area)

we combine our market knowledge and understanding of the site with the relationships formed with strategic alliances, we can lead our customers to decisions based on solid data and information. The constraints may be as simple as topography or zoning, but might include more complicated issues. Here is a list of some of the site related issues we discuss in the class:

- Soils Conditions – Loading Capacity
- Seismic Conditions – Liquefaction
- Water Table
- Topography (Balanced Site vs Import/Export)
- Availability of Utilities (Public and Private)
- Environmental – On site and adjacent parcels
- Wetland / Floodplain
- Stormwater Retention / Detention
- Archeological

While the condition of the site itself may be enough of a challenge for a prospective construction project, the next level of due diligence centers on jurisdictional issues. Weighing the benefits of one jurisdiction may provide enough motivation to tip the scales in one direction or another. Never assume that zoning alone is the only hurdle to overcome in gaining jurisdictional approvals and entitlements. The following list outlines some of the topics covered in the class:

The most important take away from the site analysis and selection process is that all of these issues may impact timing and cost of a new development project.

I often use sports analogies in my class; one of my favorites is an old baseball reference to “chin music,” which is basically a high inside fastball thrown at the batter’s chin. The intention is to get the batter’s attention — it works! The connection to “chin music” in the development process revolves around the financial viability of the project and our willingness as brokers to ask very direct questions of our clients. Our greatest asset is our time — we don’t want to waste any of it.

Reaching an understanding with our client early in the process will save a lot of stress and anxiety further down the road. While our customers may be the best manufacturing, service, or distribution company in their industry, they rarely get involved in the development of new buildings. We need to be sure that we offer a full dose of reality and help our clients wade through the financial modeling to determine that the required equity is available, the projected cash flow is within the company’s budget, and that they qualify for acceptable debt.

The class progresses from this point into an overview of construction systems and building practices. Using real

examples from projects I have been involved in, we cover every facet of the construction process from site work to mechanical systems. The main focus of this section of the course is to raise the student's level of awareness and increase their vocabulary of construction terms and processes. While the intent is not to turn each student into a contractor, engineer, or architect, it is important for an SIOR broker to understand the difference between a beam and a column and that cement is an ingredient in concrete and not what the floor is made of.

We round out the course with a section on sustainability. I provide a brief historic overview of the evolution of "Green" buildings from the early days of the EPA, through the development of the USGBC and LEED certification to future innovation into what we refer to as the "living building." The ultimate goal is to achieve a "carbon neutral" footprint that is 100 percent sustainable. I share a few case studies showing sustainable development concepts, including an estimated return on the investment based on energy savings.

Balancing the individual needs of our client with the norm of the market will help produce an asset that creates wealth over time. One of the most significant roles of an SIOR broker is to help our clients create and preserve long-term wealth through real estate ownership.

My goal for this course is to broaden the scope of knowledge or "sharpen our axe" so that as an SIOR designee, we separate ourselves from the herd with an ethical and professional approach to brokerage. Hopefully I can add another arrow to the student's quiver, so that they might find an opportunity to help one of their clients negotiate through the development and construction process. ■

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