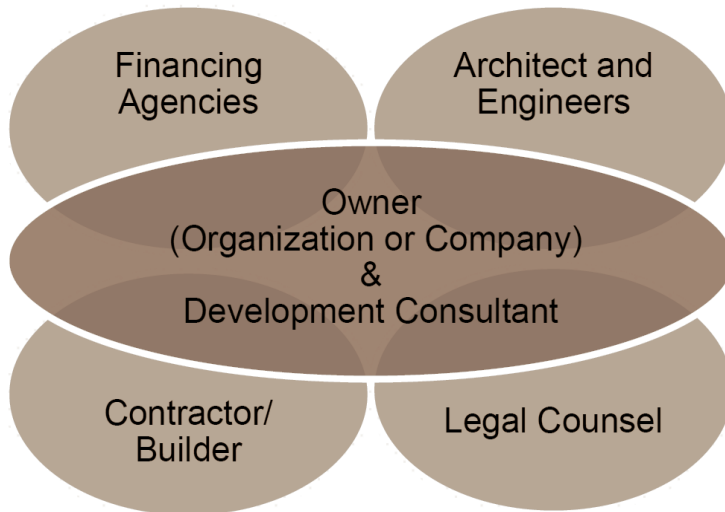


# Role of the Real Estate Development Consultant

Professional real estate development consultants work directly with organizations and companies to develop real estate projects. The primary role of the development consultant is to manage the entire real estate development process - from initial concept to the start of operations for the

For many of these types of organizations and companies developing real estate is an infrequent activity. For this reason, many lack the internal capacity including available time, skills, and knowledge to develop real estate in an efficient manner. Engaging the services of a professional development consultant is a cost effective method for many organizations and companies to acquire the knowledge and skills necessary to develop real estate without the need to hire new staff or re-direct existing resources.

## Real Estate Development Team



finished project. While other members of the real estate development team perform specific tasks at different stages during the course of development, the development consultant oversees the entire process and is engaged throughout all stages.

## Who can benefit from the services of a Real Estate Development Consultant?

Professional real estate development consultants are engaged by a wide range of non-profit and for-profit organizations and companies interested in developing multi-unit residential, health care, institutional, and commercial projects. These organizations and companies include:

- Health care agencies and authorities
- Non-profit housing authorities and organizations
- Churches and other faith based organizations
- Hospitals and personal care/nursing homes
- Colleges and universities
- Community service organizations
- Government departments/agencies
- Private real estate investors/trusts

## What does a Real Estate Development Consultant do?

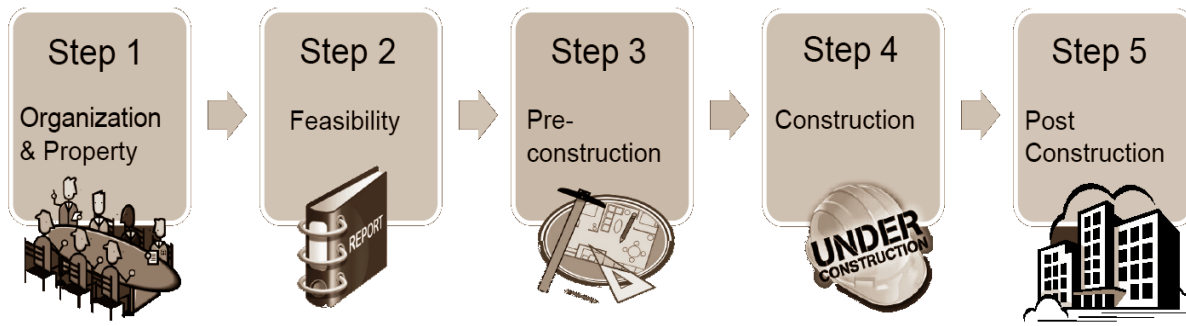
By working together, the owner and development consultant become the "developer" of the real estate project. While the owner is responsible for decision making, the development consultant takes on the responsibility for managing the entire development process, coordinating the work of the development team, serving as central point for communication and decision making, and providing advice to the owner. In addition, the development consultant takes on a number of specific tasks either independently or in conjunction with other members of the development team. These tasks normally include:

- Oversee the preparation of development program and concept plan(s)
- Undertake market/need/demand analysis
- Identify, evaluate and assist with negotiating property acquisition
- Assist with project design (particularly from market and budget perspectives)
- Prepare capital and operating cost budgets
- Assist with zoning and other development approvals
- Prepare applications for government assistance
- Prepare marketing materials and coordinate marketing/application/pre-leasing/pre-sales process
- Prepare financing applications and negotiate terms
- Coordinate an acceptable procurement method and construction contract
- Account for all project costs
- Assist with organizing property management

Because each project is unique, it is difficult to list the exact tasks the development consultant may take on. In fact, because development consultants are frequently involved very early in the development process, the exact list of tasks may be impossible to know until the development process has begun and the full scope of the project is known.

## Development Consultants and the Real Estate Development Process

For most projects, development consultants guide owners and the development team through a five step real estate development process.



During the first step, the development consultant helps the owner assemble the development team, identify the project's goals and objectives, secure/define the property to be developed, and develop an initial building concept. The development consultant also assists the owner in assessing its own financial and operational capacity to undertake development of the project.

During step two, the development consultant works with the owner to assess the project's feasibility. This step typically involves helping the owner with tasks such as: market/need/demand analysis, preliminary designs, preliminary capital and operating budgets, financing applications and negotiations, and zoning/development approvals. The goal of the feasibility stage is to help the owner determine whether it should proceed to the next stage of development.

Once feasibility has been determined the next step is pre-construction. Deciding to go to pre-construction is normally a major step for an owner as it usually involves significant expenditure of funds for architectural and engineering services. During this stage the development consultant also helps the owner determine an acceptable construction contract. The goal of step three is to arrive at a final capital cost budget, finalize agreements, and achieve all necessary approvals in order to proceed with construction.

Step four is construction of the project. During this step the development consultant participates in construction meetings, helps the owner resolve any construction issues that arise, accounts for all project costs, and facilitates advances from financing agencies. Depending on the project, the development consultant may also need to initiate and coordinate the marketing/pre-leasing/pre-sales process.

The final step in the development process involves assisting the owner with setting up for on-going property management,

initial move-ins, clearing-up construction deficiencies, and finalizing the project's capital cost. Depending on the situation, the development consultant may also need to help the owner initiate staffing or enter into an on-going property management contract.

Because developing real estate is a cumulative process with each step forming a foundation for the next, it is important for the development consultant to be hired by owners as early as possible in the process. Decisions made, or not made, early in the development process can have a major impact later in the process. Awareness of how early decisions impact later in the process is one of the skills a qualified development consultant brings to a project.

### How do Real Estate Development Consultants get paid?

Typically, real estate development consultants get paid fees based on a percentage of total project cost. The percentage amount depends on the size and complexity of the project, with smaller projects tending to have slightly higher percentages than larger projects.

For many projects, owners ask development consultants to share some of the up-front financial risk associated with developing real estate by deferring payment of fees until the project proceeds to construction. This sharing of financial risk translates into the development consultant assuming more of a partnership role through pre-construction phases of the project. Asking development consultants to share in the financial risk may alter the development consultant's percentage fee calculation.

Developing real estate is a complex process involving years of effort, large sums of money, and the work of many professionals. In recent years, changes in financing procedures, shifting market needs and demands, increasingly more complicated government programs and development regulations, and evolving design requirements have all added to the complexity of the real estate development process. An experienced professional development consultant offers owners the comfort of having someone "on board" who understands the complexities of real estate development and has navigated through the process many times before.