

HOW TO ISSUE A DEVELOPER RFO





INTRODUCTION

Redevelopment Ready Best Practice 5 addresses the identification, packaging, and marketing of priority redevelopment sites. This how-to document covers one method of doing this: through the preparation and issuing of a developer request for qualifications, or RFQ. For a more general discussion of site-specific planning and marketing, please refer to the ["Guide to Redevelopment Ready Sites."](#)

The guidance provided here is based on the experience of the Michigan Municipal League in assisting several communities in preparing RFQs, interviews of communities that have used RFQ processes in the past, and feedback from state agency staff and members of the Redevelopment Ready Communities advisory board.



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WHAT IS AN RFQ? WHEN IS AN RFQ APPROPRIATE?

A “Request for Qualifications,” or RFQ, is a process communities can use to select a development partner for their priority redevelopment sites. A marketing and matchmaking process, the goals of an RFQ are to:

- Define and state the community’s goals for a priority site
- Get the attention of a pool of potential developers
- Select a developer who can best execute the desired concept on the site

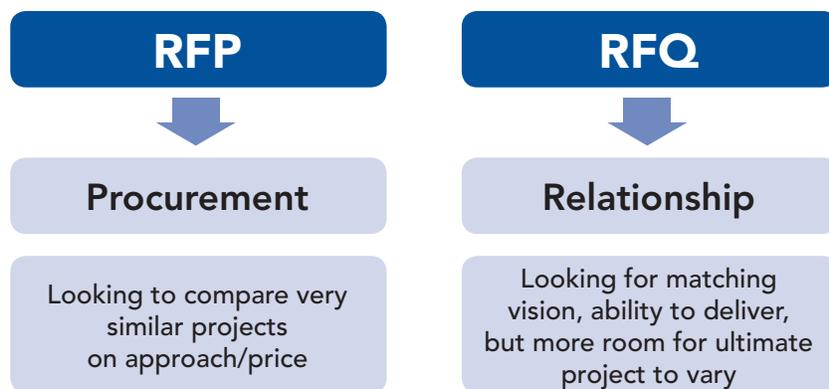
An RFQ document should introduce the site, lay out the community’s goals and expectations for development of the site, and summarize relevant information (including market data, environmental conditions, and zoning) so that prospective developers can evaluate the opportunity against their expertise.

An RFQ process typically has a deadline attached to it. Ideally, this allows the community to compare proposals and select a preferred development partner in a timely fashion. This provides faster resolution for all parties, relative to the situation that arises from traditional listings, where the community must review each proposal as it comes in, and try to decide whether to accept it or wait longer.

RFQ VERSUS RFP

An RFQ has some relationship to the Request for Proposals, or RFP, process that communities use to procure road salt, or fleet vehicles, or other equipment. Both involve the local unit issuing specifications, collecting responses at a defined time, and selecting among the responses.

However, development projects are much more unique than the commodity nature of goods or services procured via an RFP. Property development has many more uncertainties than a simple procurement, and the set of developers pitching projects for a site will vary on many dimensions: the community must select a partner they’re willing to navigate those uncertainties with in an ongoing relationship. In this way, a development RFQ is similar to the selection of a city attorney, planning firm, or engineering firm for a retainer contract, where the specific workload may be more variable or unpredictable than a set, one-time fee might reflect. As a result, the selection at the end of an RFQ is not necessarily based on price and timeline alone, but on the compatibility of the developer’s vision with the community’s, and the track record of the developer in being able to execute their vision.



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RFQ VERSUS TRADITIONAL LISTING

Listing property through real estate portals is another path communities can take. This is a more passive approach that typically requires less background work on the part of local staff, but relies on interested developers or site selectors finding the site.

By contrast, a RFQ that is actively distributed and promoted to prospective developers can grab attention as a timely opportunity, and one with evidence of local commitment behind it. A community that has multiple redevelopment sites might consider creating and issuing an RFQ for one or two that are the highest strategic priority, while creating property information packages and undertaking a more passive traditional listing process for the others.

PICKING THE RIGHT TIME FOR AN RFQ PROCESS

An RFQ process puts site marketing on a time limit: developers are asked to respond by a specified date, with the expectation that the community will make a selection in a timely fashion. When issuing an RFQ, communities should look ahead at the calendar to make sure adequate staff (and elected body!) capacity will be available to handle that selection.

For example, a community may not want to issue an RFQ at the same time that it is undertaking a city manager search, or an RFQ process that would commit them to selecting a developer during the meetings usually dedicated to adopting the annual budget. If the community is considering another major development project, it may want to time the RFQ to space out anticipated action by the planning commission, discussion of incentives, etc., so as to not overwhelm any step in the local process.

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WHAT SITES ARE LESS APPROPRIATE FOR AN RFQ?

An RFQ process is not going to be the best choice for all development projects. Cases where another approach may be better include:

- **Public buildings or other tightly specified projects:** if the community is seeking to execute an existing set of construction plans, such as for a community center, fire station, or other public building, allowing for flexible and creative concepts by the developer is less necessary. A more traditional procurement process may be more appropriate than an RFQ.
- **Small, “off-the-shelf” parcels:** if the development need is for many smaller or scattered parcels, an RFQ process may involve too much overhead cost and staff time for the type of development anticipated. Other policies, such as adjusting code requirements or implementing area-wide incentive programs, may be more appropriate.

For example, if the community has several vacant neighborhood residential parcels, consider a code audit to remove barriers, a side lot transfer or property disposition policy to sell the lots, and tools like Neighborhood Enterprise Zones to address financial gaps.

- **Auto-oriented commercial corridors:** if the anticipated development is a highway-oriented single- or multi-tenant commercial use, a traditional listing process may be more appropriate. The exception to this is where the community is pursuing a substantial change in the corridor, and the innovative design and creative partnership of an RFQ may be needed to set a new pattern.

SELECTING A SITE AND COMPILING EXISTING INFORMATION

Before starting to work on an RFQ process, a community should have created a shortlist of high priority redevelopment sites and compiled at least basic site information for each. The “[Guide to Redevelopment Ready Sites](#)” provides direction on this process.

With those priority sites in hand, the community can select one to aggressively market via RFQ. This selection can be made according to the city’s priorities, but clarity (and consensus) of site goals, site control, and a reasonable expectation that the desired development is financially feasible are good indicators.

While more than one site may be good candidates, an RFQ document should generally contain only a single site, in order to provide clear and concise information about that site. A community considering multiple RFQ processes for different sites may consider waiting until they receive responses—and any feedback—on the first before issuing the second, in case any updates to the second RFQ are desired.

PUBLIC VERSUS PRIVATE SITE OWNERSHIP

An RFQ could be issued for a site owned by the community or by a private owner. However, third-party ownership brings potential complexities to consider:

- Do the community and site owner share similar goals and vision for the site? While the community can still encourage particular goals connected to any incentives required, it will have less control when it is not managing the sale of the property.
- Is the site owner committed to the sale of the property under the terms stated in the RFQ? Since an RFQ process requires more upfront

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work by local staff than a passive listing, a property owner who backs out of the process can be a disappointing loss of that effort.

At a minimum, community staff should make sure to get a clear understanding of the owner's needs before undertaking an RFQ, and may even consider a transferrable purchase option or other contractual relationship to the property.

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SETTING SITE GOALS AND CONCEPT

Defining what the community wants to happen with the site is critical to a successful RFQ process. An honest statement of local goals and expectations helps developers hit close to the mark with their proposals, allowing for a relatively quick and predictable review process for both community and selected developer.

While many of the various site goals may be addressed already in the zoning ordinance or pulled from available market studies, an RFQ process for a publicly owned site is an opportunity to direct development more precisely than those general materials.

POTENTIAL SITE EXPECTATIONS

In establishing the community's goals and constraints for the site, consider issues like,

Financial:

- Does the community have a required minimum purchase price?
- Is the community unwilling or unable to consider development options that require long-term property tax abatement?

Use:

- Has a retail market study identified specific gaps that can be appropriately filled in that location?
- Has a residential target market analysis called out specific housing types that are needed? (Demand for townhomes, for example, or for senior-focused apartments.)

Site layout:

- Should buildings face a specific direction on a site that fronts on multiple streets?
- If internal streets are needed for a larger site, are there specific requirements for their location?
- Are specific site amenities like outdoor plazas or bike/walk paths desired?

VISIONING AT A CONCEPTUAL LEVEL

When considering site layout goals, the community may offer one or multiple conceptual site plans to show how the goals can be fit on the site. Especially where the site's shape, topography, or other features pose potential challenges, this can demonstrate the site's possibilities both to local stakeholders and prospective developers.

Stating the community's site goals and providing conceptual images can provide a starting point for developers — but providing too much detail risks stakeholders locking in a particular idea of a development too early in the process. For any but the most straightforward sites and projects, some flexibility should be left the developer to craft the final site plan; issuing a too “final looking” concept in the RFQ can lead to community members objecting to any deviation from that image, even if the developer's solution meets the site's goals as well or better.

For this reason, rather than preparing detailed street-level renderings or other exhibits that show a high level of finish, keep the site concept at a rougher level, showing general layout and massing. To demonstrate a desired visual character or type of activity, use photos of the surrounding area or similar developments elsewhere that can serve as an example, rather than attempting to show one single implementation on that site.

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For this oddly shaped site encumbered with numerous easements, a sample site concept showed there was still significant development potential.

ESTABLISHING CLEAR AND HONEST EXPECTATIONS

As site goals are set, consider two cautions in balancing expectations with an achievable project:

- If the development vision is too rigidly detailed, the community may find disappointment in any variation in the final plan. Avoid over-specifying lower priority issues, and ensure stakeholders understand that developers will bring their own approaches to the site needs.
- If site goals are too ambitious, development may not be financially feasible, or the possible

developer pool may be severely limited. Incentive programs may be needed to close any gap, and these should be discussed before an RFQ is issued.

Perhaps most important, though, is to provide a vision that the community is committed to. The RFQ should accurately reflect the community's goals for the site — major expectations or fixed requirements should be identified and discussed prior to issuing the RFQ, to avoid the situation where a developer is presented a moving target after responding.

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While complete community-wide consensus on every aspect of the development is unlikely in most cases, local staff and the elected or appointed bodies that will be reviewing a proposal should have a high level of agreement on and commitment to the goals and vision expressed in the RFQ. If this isn't possible, consider additional local deliberation — or a different site — before issuing the RFQ, rather than waiting for a developer's inquiry to expose disagreements.

For example, stating availability of incentives that the community is not actually willing (or eligible) to offer harms an RFQ process when the respondent finds their pro forma won't actually work. Having a developer back out due to the community's changing expectations can cause strife locally, distrust from future prospective developers, and delays in securing desired development.

INTERNAL PRO FORMA: DEVELOPMENT COSTS AND MARKET CONDITIONS

The community should also establish an understanding of the financial feasibility of the desired site development, using the site concept and market data to create an internal pro forma.

A pro forma is a calculation of the costs and revenues from a real estate project that can be used to determine whether the project will make money. A developer looking at an RFQ will likely draft a quick pro forma as they consider a response, so the community should understand what that analysis is likely to show.

For a basic pro forma, consider:

- What site preparation and utilities will the desired site layout require? Local engineering staff can provide estimates of these costs.

- How much does construction cost locally for the desired type of project? Building officials (or local builders) can provide a general idea of costs per square foot, per dwelling unit, or similar.
- What are the existing rents or sale prices for the type of housing or commercial space desired? Some of this data could come from the assessor or local real estate agents, if the community has similar property already. A residential target market analysis (TMA) can help estimate price points for housing types that don't have good comparables in the community.

The community's analysis doesn't have to be overly detailed, since it still deals with the general concept rather than the final development plan, but can provide an overall idea of whether the vision is reasonably feasible on its own, or will require support in the form of incentives.

A [multi-part article](#) from Planners Web provides an in-depth discussion of the various inputs to a pro forma, from a public officials' viewpoint.

CNU's [small-scale developer toolkit](#) includes a basic pro forma Excel template for download.

MEDC's Community Assistance Team may be able to support communities in preparing financial analyses for priority development sites. [Contact the regional CATeam representative](#) to begin this process.

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DEFINING APPROPRIATE INCENTIVES

The discussion of appropriate incentives for a site should begin before the RFQ is released, rather than waiting for a developer to ask, for these reasons:

- If the community's desired vision can't be achieved without incentives, the RFQ should demonstrate that the community understands that, and is willing to use incentives to achieve the vision. This makes developers more likely to engage with the community.
- Having a conversation about incentives at the beginning of the process helps link the incentives to the public's goals, and place them in the context of the site, rather than having the conversation revolve only around the selected developer.
- Understanding the role of incentives in the financial feasibility of the desired development before selecting a developer helps the community negotiate a final incentive package more confidently than if it were only reacting to a developer's requested incentives.

The pre-RFQ discussion of incentives should include both a general idea of the level of incentives anticipated—will any project require substantial support to be feasible, or is the market expected to support the general vision, and incentives may only be needed to secure additional public goals? (For example, a residential development may be feasible based on existing rents, but the community is willing to use incentives to get affordable units within the project.)

With the overall role of incentives in mind, the community can consider:

- Would the community prefer to offer upfront support, such as reduced purchase price or subgrants of local funds; ongoing tax abatements; or a mix?
- What local subunits may have a role in the mix of incentives, such as a DDA, brownfield redevelopment authority (BRA), or utility department?
- What incentives are directly in the community's power to provide, and which would require engaging a state agency or other third-party as the decision maker?
- Does the community have a role on the revenue side, as a purchaser or tenant of part of the development?

The RFQ document should provide developers with an idea of what types of incentives the community proactively anticipates using to make any project work, what additional incentives may be available, and what types of incentives may be off the table. [Dozens of incentive programs](#) are available to Michigan communities. Local staff will need to identify which of these may be relevant to the site in question, and can consult with their CATeam representative for assistance in this process.

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Assembling the RFQ document

With all of the site information in hand, the community can create the actual RFQ document! While the document may take many forms, keep in mind the goal of the RFQ as a marketing document for the site and the community. Toward this goal, the RFQ should be:

- Visually appealing, including photos of the site and surroundings. At minimum, an attractive cover sheet should introduce the site to an unfamiliar reader.
- Clear and easy to read, providing a potential developer enough information to be interested, without overwhelming. Information like zoning designations, master plan expectations, market studies, etc., should be summarized in the RFQ with links to online versions of the full documents.
- Arranged to provide the most critical information—the development site and goals—first, and supporting information later.

RFQ TEMPLATE

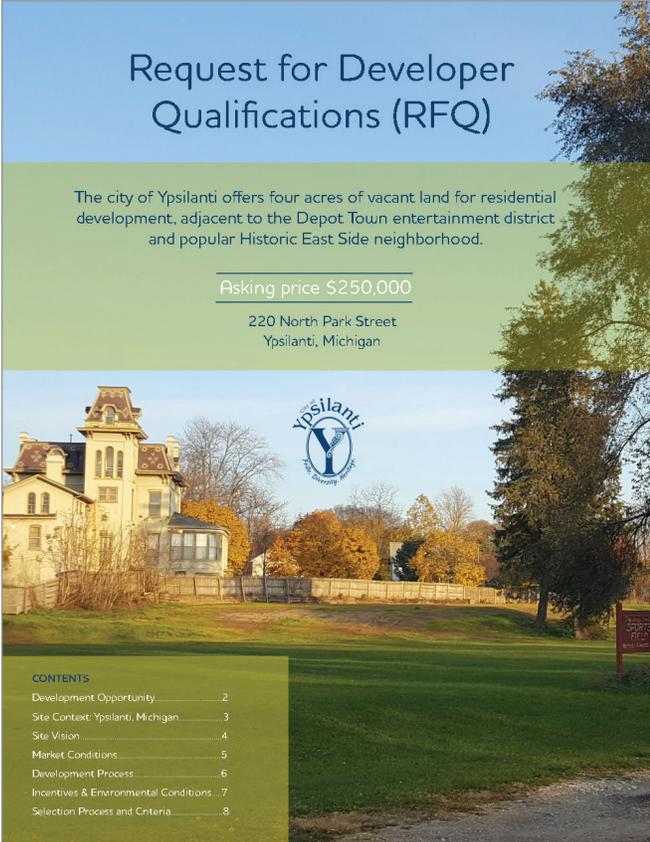
This guide is supplemented by a Word document that can be used as the outline or basic template for an RFQ, based on RFQ documents prepared for local sites by the Michigan Municipal League.

That document is arranged as follows, by page:

- 1. Cover sheet:** Include an attractive (or at least eye-catching!) site photo and a short, elevator-pitch description of the community's desired use—perhaps 25 words long.
- 2. Development opportunity:** The one-page description of the site and goals. Provide a short, narrative description of the site, and outline the community's key goals for redevelopment. A site location map should outline the boundaries of the site, ideally on an aerial photo with major streets and landmarks noted.
- 3. Site context:** The sales pitch for the community itself—why should the developer pursue a project here? Provide a short, overall pitch about the community, and list local amenities that could relate to or support a development at this site. Photos of the surrounding streets can both highlight community character as an asset and give cues to the appropriate scale of development.
- 4. Site vision:** Show any conceptual site layouts for the property and precedent images that show developments similar to what is desired at this site. If site-specific public engagement has been done, summarize major themes.
- 5. Additional space for site vision materials,** or can be repurposed for content that doesn't fit on later pages.
- 6. Development process:** Describe basic expectation of how development will proceed after selection of a preferred developer (e.g., purchase agreement followed by development agreement)
 - a. Summarize master plan and zoning designations for the site (or state any expectations that the site will be rezoned, developed via a PUD, etc.)
 - b. Provide information on the location of streets and utilities relative to the site, and responsible agencies.
 - c. Note any environmental assessment that has been done of the site, and whether any conditions have been identified that would support a brownfield designation.
- 7. Market conditions:** If any market studies that have been done for the site, or for the district containing the site, include relevant statistics from those. If no study is available, or the study is few years old, include recent sales data from the local assessor or real estate agents, or average rents from nearby properties. Describe available incentives that the community anticipates applying to development on the site.
- 8. Application details:** Describe the required proposal format, contents, and deadline, and the estimated timeline for review and selection.

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Assembling the RFQ document



This is by no means the only possible format for a development RFQ, and communities should adapt the template, or create others, as meet the needs for their site.

The cover page of this RFQ from Ypsilanti shows off the site and a basic description of the opportunity.

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DISTRIBUTING THE RFQ

Once the document is complete, its distribution will play a large role in getting good proposals back. Ideally, distribution of the RFQ should both cast a broad net, to reach the greatest number of possible partners, as well as include some targeting to specific developers or organizations the city has identified as producing the desired type of development.

Prior to beginning an RFQ process, be sure to understand how the community will broadcast the opportunity to developers, and that adequate staff attention can be dedicated to distribution and to responding to questions or inquiries.

Consider several means of contacting potential developers:

- Listing services: websites like ZoomProspector, CPIX, or BidNet can provide broad exposure for a site.
- Organizational distribution: Urban Land Institute Detroit (ULI), the Homebuilders Association of Michigan, and Community Economic Development Associates of Michigan (CEDAM) are professional networks of developers, each with its own focus. Each of these organizations may be interested in sharing opportunities with their members.

- Individual distribution: Sending the RFQ to individual developers, whether electronically, by mail, or both, may provide more visibility than a general listing service, but is limited to only those developers the community has been able to collect contact information for. The individual approach can be especially appropriate, though, for developers who have completed projects similar to the desired vision.

Finally, don't overlook "homegrown" developers! There may be individuals in the community who are

capable of taking on the project and are known to have compatible vision. These could include local developers who have recently finished other projects, business owners who have "developed" their own building and may be ready for another project, or related professionals who might want to take the plunge, such as real estate agents or contractors.

Note that if city staff are reaching out to individual local stakeholders, it may be especially important

to broadcast the opportunity loudly within the community, so that other locals do not feel they were not given the chance to submit a proposal.

The greatest source of failure communities report in their experience with RFQs is inadequate distribution. If developers don't see the RFQ, they can't pitch projects to the city.

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REVIEW AND SELECTION PROCESS

If an RFQ process goes as planned, the community will ideally have multiple responses from which to select a development partner! The process for making that selection should be set before that point, and known to the actors involved.

A selection process should identify who will be making the decision, on what timeline, and what

criteria will be used. While some unexpected factors may arise that require deviating from this plan, setting the general process in advance offers both clear expectations and transparency around any changes.

Again, this is an area where the RFQ goal of creating a development relationship might not be as rigid as a procurement process, but the selection should be clear and defensible.

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DECISION-MAKING RESPONSIBILITIES

A development RFQ process will typically require two decision-making steps: the sale of the property and the development approval process (site plan, development agreement, and any other approvals required). As noted previously, this makes an RFQ process easiest when the community has site control, so that the two decisions can be made in coordination. If the site is not owned by the municipal government, consider a formal agreement outlining the expected coordination.

SELECTION CRITERIA

Generally, the site goals or vision laid out in the RFQ document should drive the decision, in combination with the developer's ability to bring the project to completion, as demonstrated by their track record and financial capacity.

The evaluation criteria may include both qualitative elements, such as how well the proposed concept fits the community's vision, and quantitative elements, like purchase price, number of housing units, or anticipated taxable value. Some of these may be considered "threshold" criteria, where the proposal must meet the requirement to be acceptable.

Depending on the circumstances of the community and the site, the evaluation may be very formal, with criteria graded in points and weighted to come up with a numeric score, or somewhat less formal.

TIMELINE FOR SELECTION

Developers will likely respond to an RFQ with a general concept and financial calculations, with a final site plan and construction plan being developed after selection. This means the selection process itself should happen relatively quickly, to minimize the administrative delay between those steps. By knowing who is doing the initial review and with what criteria before responses are received, the community should be able to determine a preferred proposal or a few finalist proposals within a few days of the proposal deadline — or at least to quickly identify any questions that must be answered before that determination.

If the property is publicly owned, consider tentatively scheduling the preferred proposal or finalists to go before the decision-making body (e.g., city council, DDA, school board) about a month after the proposal deadline, and including that date in the RFQ document, to balance a timely decision with any public noticing needs, the potential that the developer needs

to schedule travel to attend a meeting, etc.

While reviewing responses and selecting a development partner will usually happen a few months after the RFQ is issued, and may therefore seem a lower priority, make sure to set and communicate this process up front. Understanding the roles of staff, the elected body, and other stakeholders in selecting a development partner is critical both for communicating an anticipated timeline in the RFQ as well as providing transparency and trust locally.

While timelines may reasonably slip from the initial schedule, such as if additional information is required, a clearly stated, good-faith timeline sets expectations for developer and community alike.

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CONCLUSION

Preparing and issuing a developer RFQ for a community's priority redevelopment sites can involve a fair amount of staff time, and potentially some cost for consultant support to fill in gaps in existing information.

However, these RFQs can be a catalytic part of the community's redevelopment strategy. The process of

laying out a site vision can increase local clarity and consensus around redevelopment goals. The time-boxed response window creates a sense of urgency and interest among developers. And, where there are additional opportunities near the selected site, the coordinated effort around an RFQ process can create a pattern and momentum for those other properties to follow.