

Land to Lots – Show Notes Project Diagnostic Review

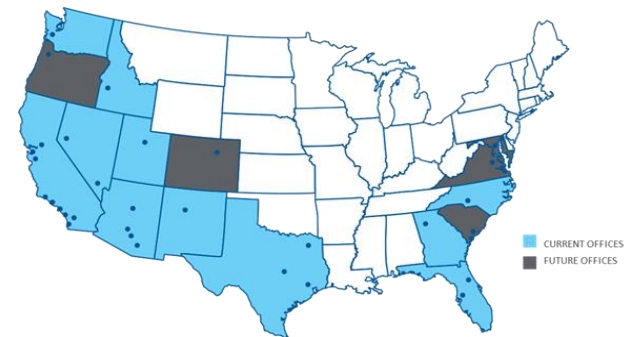


Launch Development Finance Advisors



Assisting private sector clients in financing infrastructure, reducing costs, mitigating transaction risk, and enhancing profitability.

- Special District Financing (PID, MUD, MMD, TIRZ)
- “Private Label” Bond Financing
- Reimbursement Agreements & Processing
- Fiscal Impact Studies
- Cash Flow Analysis
- **Development Impact Fee (“DIF”) Review, Analysis, and Litigation**



Project Diagnostic Review

How can the erosion of profit margins be addressed?

Formalized methodic review of development projects in order to determine that all project revenues are being maximized and all project costs are being minimized.

Review focuses on the following areas:

1. Inclusion of Public Financing Vehicles
2. Mitigation of Municipal Operational Shortfalls
3. Development Impact Fee Reductions and/or Credit Analysis
4. Infrastructure Cost Reduction Strategies

Project Diagnostic Review

Project Data

Units: 3,500

Average Home Price: \$300,000

Original Projected Cash Flow Projection		
<u>Revenues</u>	Original Program	
	Per Unit	Total
Finished Lot/Home Revenue	\$ 300,000	\$ 1,050,000,000
Total Revenues	\$ 300,000	\$ 1,050,000,000
<u>Costs</u>	Per Unit	Total
Site Acquisition	\$ 30,000	\$ 105,000,000
Development Costs	40,000	140,000,000
Home Construction Costs	165,000	577,500,000
Budget Shortage Subsidies	970	3,395,000
Development Impact Fees	11,849	41,472,962
Total Costs	\$ 247,819	\$ 867,367,962
Net Cash Flow (Profit)	\$ 52,181	\$ 182,632,038
Return on Costs	21.06%	

Project Diagnostic Review

Public Financing – Tax Rate Analysis / Special Assessment Analysis

General Scope

- Determine competitive projects, identify their tax rates.
- Determine the maximum tax rate that will still allow the property to remain competitive.
- Determine the supportable special assessment lien for property.

Tax Rate Comparison - Existing		
	Tax Rate	Annual Tax Pmts
Avg Comparable Property Tax Rate	\$ 16.50	\$ 4,059
Project Tax Rate	\$ 11.00	\$ 2,706
Difference	\$ 5.50	\$ 1,353

Special Assessment Liens		
Average Appraised Value per Lot	\$	70,000
City's SA Value to Lien Policy		4 to 1
Maximum SA Lien / Lot	\$	17,500
Market Driven SA Lien / Lot	\$	7,500
SA Proceeds / Lot	\$	5,850
Total SA Proceeds	\$	20,475,000
Average Home Price	\$	300,000
Average SA Lien	\$	7,500
Average SA Payment	\$	654
SA Equivalent Tax Rate	\$	2.66

Project Diagnostic Review

Public Financing – Tax Rate Analysis / Special Assessment Analysis

Comparison of Financial Returns				
	Original Program		Return Enhancements	
	Per Unit	Total	Per Unit	Total
Revenues				
Finished Lot/Home Revenue	\$ 300,000	\$ 1,050,000,000	\$ 300,000	\$ 1,050,000,000
SA Bond Proceeds	-	-	5,850	20,475,000
GO Bond Proceeds	-	-	-	-
Infrastructure Reimbursements	-	-	-	-
Total Revenues	\$ 300,000	\$ 1,050,000,000	\$ 305,850	\$ 1,070,475,000
Costs				
Site Acquisition	\$ 30,000	\$ 105,000,000	\$ 30,000	\$ 105,000,000
Development Costs - Other	40,000	140,000,000	20,000	70,000,000
Development Costs - CFD Eligible	-	-	20,000	70,000,000
Home Construction Costs	165,000	577,500,000	165,000	577,500,000
Budget Shortage Subsidies	970	3,395,000	970	3,395,000
Budget Shortage Subsidies - Reduction	-	-	-	-
Development Impact Fees	11,849	41,472,962	11,849	41,472,962
Development Impact Fees - Reduction	-	-	-	-
Development Impact Fees - Credits	-	-	-	-
Total Costs	\$ 247,819	\$ 867,367,962	\$ 247,819	\$ 867,367,962
Net Cash Flow (Profit)	\$ 52,181	\$ 182,632,038	\$ 58,031	\$ 203,107,038
Return on Costs	21.06%		23.42%	

Project Diagnostic Review

Public Financing – Tax Rate Analysis / General Obligation Bond Sizing

General Scope

- Determine the maximum tax rate that will still allow the property to remain competitive.
- Determine GO tax rate to be used.

Tax Rate Comparison - Including SA and GO		
	Tax Rate	Annual Tax Pmts
Avg Comparable Property Tax Rate	\$ 16.50	\$ 4,059
Project Tax Rate	\$ 11.00	\$ 2,706
SA Equivalent Tax Rate	\$ 2.66	\$ 654
GO Tax Rate	\$ 3.00	\$ 738
Total Project Tax Rate	\$ 16.66	\$ 4,098

General Obligation Tax Rate	
GO Tax Rate	\$ 3.00
Annual Tax Payment per Unit	\$ 738
Total Units in Development	3,500
Total Annual Tax Payments	\$ 2,583,000
Bond Issuance to generate Pmt	\$ 30,101,205
Bond Issue / Unit	\$ 8,600
Proceeds (94.0%)	\$ 28,295,133
Proceeds / Unit	\$ 8,084

Project Diagnostic Review

Public Financing – Tax Rate Analysis / General Obligation Bond Sizing

Comparison of Financial Returns				
	Original Program		Return Enhancements	
	Per Unit	Total	Per Unit	Total
Revenues				
Finished Lot/Home Revenue	\$ 300,000	\$ 1,050,000,000	\$ 300,000	\$ 1,050,000,000
SA Bond Proceeds	-	-	5,850	20,475,000
GO Bond Proceeds	-	-	8,084	28,295,133
Infrastructure Reimbursements	-	-	-	-
Total Revenues	\$ 300,000	\$ 1,050,000,000	\$ 313,934	\$ 1,098,770,133
Costs				
Site Acquisition	\$ 30,000	\$ 105,000,000	\$ 30,000	\$ 105,000,000
Development Costs - Other	40,000	140,000,000	20,000	70,000,000
Development Costs - CFD Eligible	-	-	20,000	70,000,000
Home Construction Costs	165,000	577,500,000	165,000	577,500,000
Budget Shortage Subsidies	970	3,395,000	970	3,395,000
Budget Shortage Subsidies - Reduction	-	-	-	-
Development Impact Fees	11,849	41,472,962	11,849	41,472,962
Development Impact Fees - Reduction	-	-	-	-
Development Impact Fees - Credits	-	-	-	-
Total Costs	\$ 247,819	\$ 867,367,962	\$ 247,819	\$ 867,367,962
Net Cash Flow (Profit)	\$ 52,181	\$ 182,632,038	\$ 66,115	\$ 231,402,171
Return on Costs	21.06%		26.68%	

Project Diagnostic Review

Mitigation of Operational Shortfalls (Fiscal Impact Analysis)

General Scope

- Prepare fiscal impact report, critique and develop methods of improving other fiscal impact reports, negotiate with public agency or its consultants, implement methods of mitigating negative fiscal impacts.

Fiscal Impact Analysis			
Revenues	Original Study	Revised Study	Change in Dollars
Local Sales Tax	\$ 3,150,000	\$ 3,850,000	\$ 700,000
Property Tax	1,575,000	1,575,000	-
State Shared Revenues	2,625,000	2,625,000	-
Other Resources	2,730,000	2,730,000	-
User Fees / Other Revenues	1,015,000	1,015,000	-
Total Revenues	\$ 11,095,000	\$ 11,795,000	\$ 700,000
Per Unit	\$ 3,170	\$ 3,370	\$ 200
Costs	Original Study	Revised Study	Change in Dollars
Public Safety & Criminal Justice	\$ 8,750,000	\$ 7,000,000	\$ (1,750,000)
Transportation	1,575,000	875,000	(700,000)
Environmental Services	525,000	525,000	-
Community Development	2,625,000	2,625,000	-
General Government	1,015,000	1,015,000	-
Total Costs	\$ 14,490,000	\$ 12,040,000	\$ (2,450,000)
Per Unit	\$ 4,140	\$ 3,440	\$ (700)
Surplus / Developer Contribution	\$ (3,395,000)	\$ (245,000)	\$ 3,150,000
Per Unit	\$ (970)	\$ (70)	\$ 900

Project Diagnostic Review

Mitigation of Operational Shortfalls (Fiscal Impact Analysis)

Comparison of Financial Returns				
	Original Program		Return Enhancements	
	Per Unit	Total	Per Unit	Total
Revenues				
Finished Lot/Home Revenue	\$ 300,000	\$ 1,050,000,000	\$ 300,000	\$ 1,050,000,000
SA Bond Proceeds	-	-	5,850	20,475,000
GO Bond Proceeds	-	-	8,084	28,295,133
Infrastructure Reimbursements	-	-	-	-
Total Revenues	\$ 300,000	\$ 1,050,000,000	\$ 313,934	\$ 1,098,770,133
Costs				
Site Acquisition	\$ 30,000	\$ 105,000,000	\$ 30,000	\$ 105,000,000
Development Costs - Other	40,000	140,000,000	20,000	70,000,000
Development Costs - CFD Eligible	-	-	20,000	70,000,000
Home Construction Costs	165,000	577,500,000	165,000	577,500,000
Budget Shortage Subsidies	970	3,395,000	970	3,395,000
Budget Shortage Subsidies - Reduction	-	-	(900)	(3,150,000)
Development Impact Fees	11,849	41,472,962	11,849	41,472,962
Development Impact Fees - Reduction	-	-	-	-
Development Impact Fees - Credits	-	-	-	-
Total Costs	\$ 247,819	\$ 867,367,962	\$ 246,919	\$ 864,217,962
Net Cash Flow (Profit)	\$ 52,181	\$ 182,632,038	\$ 67,015	\$ 234,552,171
Return on Costs	21.06%		27.14%	

Project Diagnostic Review

Review and Critique of Municipal DIF Study and Fees

General Scope

- Review Municipality's Development Impact Fee Study, Capital Improvement Plan, and other documents to determine fairness and appropriateness of DIFs.

Development Impact Fee Analysis - Study Level			
DIF Component - Total	Original DIF Study	Revised DIF Study	Change in Dollars
Libraries	\$ 12,670,075	\$ 8,777,270	\$ (3,892,805)
Parks, Recreation, Open Space	32,291,275	27,578,355	(4,712,920)
Transportation	83,858,890	47,908,315	(35,950,575)
Police	12,504,240	14,791,231	2,286,991
Fire and Emergency Services	37,922,220	22,417,555	(15,504,665)
General Government	57,741,655	47,741,110	(10,000,545)
Total	<u>\$ 236,988,355</u>	<u>\$ 169,213,836</u>	<u>\$ (67,774,519)</u>
Total Fee Study EDUs	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
Total Fee per EDU	<u>\$ 11,849</u>	<u>\$ 8,461</u>	<u>\$ (3,389)</u>
Project EDUs	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>
Total Project Fees	<u>\$ 41,472,962</u>	<u>\$ 29,612,421</u>	<u>\$ (11,860,541)</u>

Project Diagnostic Review

Review and Critique of Municipal DIF Study and Fees

Comparison of Financial Returns				
Revenues	Original Program		Return Enhancements	
	Per Unit	Total	Per Unit	Total
Finished Lot/Home Revenue	\$ 300,000	\$ 1,050,000,000	\$ 300,000	\$ 1,050,000,000
SA Bond Proceeds	-	-	5,850	20,475,000
GO Bond Proceeds	-	-	8,084	28,295,133
Infrastructure Reimbursements	-	-	-	-
Total Revenues	\$ 300,000	\$ 1,050,000,000	\$ 313,934	\$ 1,098,770,133
Costs	Original Program		Return Enhancements	
	Per Unit	Total	Per Unit	Total
Site Acquisition	\$ 30,000	\$ 105,000,000	\$ 30,000	\$ 105,000,000
Development Costs - Other	40,000	140,000,000	20,000	70,000,000
Development Costs - CFD Eligible	-	-	20,000	70,000,000
Home Construction Costs	165,000	577,500,000	165,000	577,500,000
Budget Shortage Subsidies	970	3,395,000	970	3,395,000
Budget Shortage Subsidies - Reduction	-	-	(900)	(3,150,000)
Development Impact Fees	11,849	41,472,962	11,849	41,472,962
Development Impact Fees - Reduction	-	-	(3,389)	(11,860,541)
Development Impact Fees - Credits	-	-	-	-
Total Costs	\$ 247,819	\$ 867,367,962	\$ 243,531	\$ 852,357,421
Net Cash Flow (Profit)	\$ 52,181	\$ 182,632,038	\$ 70,404	\$ 246,412,712
Return on Costs	21.06%		28.91%	

Project Diagnostic Review

Analyze and Determine DIF Credits

General Scope

- Determine if any infrastructure items the Developer will construct are indicated in the DIF Study and calculate expected credits.

Development Impact Fee Analysis - Project Level				
Transportation	Revised DIF Study	Developer Responsibility	Anticipated Developer Cost	Reduction in Dev Responsibility
Main Arterial Road A	\$ 16,767,910	\$ 2,934,384	\$ -	\$ -
Main Arterial Road B	11,977,079	2,095,989	11,977,079	(2,095,989)
Bridge Overpass A	7,186,247	1,257,593	7,186,247	(1,257,593)
Bridge Overpass B	11,977,079	2,095,989	-	-
Total Transportation	<u>\$ 47,908,315</u>	<u>\$ 8,383,955</u>	<u>\$ 19,163,326</u>	<u>\$ (3,353,582)</u>
EDUs	20,000	3,500	3,500	3,500
Transportation Fee / EDU	<u>\$ 2,395</u>	<u>\$ 2,395</u>	<u>\$ 5,475</u>	<u>\$ (958)</u>

Project Diagnostic Review

Analyze and Determine DIF Credits

Comparison of Financial Returns				
	Original Program		Return Enhancements	
	Per Unit	Total	Per Unit	Total
Revenues				
Finished Lot/Home Revenue	\$ 300,000	\$ 1,050,000,000	\$ 300,000	\$ 1,050,000,000
SA Bond Proceeds	-	-	5,850	20,475,000
GO Bond Proceeds	-	-	8,084	28,295,133
Infrastructure Reimbursements	-	-	-	-
Total Revenues	\$ 300,000	\$ 1,050,000,000	\$ 313,934	\$ 1,098,770,133
Costs				
Site Acquisition	\$ 30,000	\$ 105,000,000	\$ 30,000	\$ 105,000,000
Development Costs - Other	40,000	140,000,000	20,000	70,000,000
Development Costs - CFD Eligible	-	-	20,000	70,000,000
Home Construction Costs	165,000	577,500,000	165,000	577,500,000
Budget Shortage Subsidies	970	3,395,000	970	3,395,000
Budget Shortage Subsidies - Reduction	-	-	(900)	(3,150,000)
Development Impact Fees	11,849	41,472,962	11,849	41,472,962
Development Impact Fees - Reduction	-	-	(3,389)	(11,860,541)
Development Impact Fees - Credits	-	-	(958)	(3,353,582)
Total Costs	\$ 247,819	\$ 867,367,962	\$ 242,573	\$ 849,003,839
Net Cash Flow (Profit)	\$ 52,181	\$ 182,632,038	\$ 71,362	\$ 249,766,294
Return on Costs	21.06%		29.42%	

Project Diagnostic Review

Infrastructure Cost Reduction Strategies – Reimbursement Mechanisms

General Scope

- Determine if any infrastructure items the Developer will construct will benefit other property owners, and in what amount.
- Prepare development agreement language that allows other benefiting property owners to pay their fair share cost of Developer constructed infrastructure.
- Assist municipalities in enacting ordinances to accomplish reimbursement mechanism.

Reimbursement Analysis						
Reimbursements	Developer Costs Expended	Benefiting EDUs	Developer EDUs	Developer %	Developer Obligation	Potential Reimbursements
Main Arterial Road B	\$ 11,977,079	20,000	3,500	18%	\$ 2,095,989	\$ 9,881,090
Bridge Overpass A	7,186,247	20,000	3,500	18%	1,257,593	5,928,654
Totals	<u>\$ 19,163,326</u>				<u>\$ 3,353,582</u>	<u>\$ 15,809,744</u>
Per Unit						<u>\$ 4,517</u>

Project Diagnostic Review

Infrastructure Cost Reduction Strategies – Reimbursement Mechanisms

Comparison of Financial Returns				
Revenues	Original Program		Return Enhancements	
	Per Unit	Total	Per Unit	Total
Finished Lot/Home Revenue	\$ 300,000	\$ 1,050,000,000	\$ 300,000	\$ 1,050,000,000
SA Bond Proceeds	-	-	5,850	20,475,000
GO Bond Proceeds	-	-	8,084	28,295,133
Infrastructure Reimbursements	-	-	4,517	15,809,744
Total Revenues	\$ 300,000	\$ 1,050,000,000	\$ 318,451	\$ 1,114,579,877
Costs	Original Program		Return Enhancements	
	Per Unit	Total	Per Unit	Total
Site Acquisition	\$ 30,000	\$ 105,000,000	\$ 30,000	\$ 105,000,000
Development Costs - Other	40,000	140,000,000	20,000	70,000,000
Development Costs - CFD Eligible	-	-	20,000	70,000,000
Home Construction Costs	165,000	577,500,000	165,000	577,500,000
Budget Shortage Subsidies	970	3,395,000	970	3,395,000
Budget Shortage Subsidies - Reduction	-	-	(900)	(3,150,000)
Development Impact Fees	11,849	41,472,962	11,849	41,472,962
Development Impact Fees - Reduction	-	-	(3,389)	(11,860,541)
Development Impact Fees - Credits	-	-	(958)	(3,353,582)
Total Costs	\$ 247,819	\$ 867,367,962	\$ 242,573	\$ 849,003,839
Net Cash Flow (Profit)	\$ 52,181	\$ 182,632,038	\$ 75,879	\$ 265,576,038
Return on Costs	21.06%		31.28%	

Project Diagnostic Review

Summary of Launch DFA Diagnostic Review

Comparison of Financial Returns				
<u>Revenues</u>	Original Program		Return Enhancements	
	Per Unit	Total	Per Unit	Total
Finished Lot/Home Revenue	\$ 300,000	\$ 1,050,000,000	\$ 300,000	\$ 1,050,000,000
SA Bond Proceeds	-	-	5,850	20,475,000
GO Bond Proceeds	-	-	8,084	28,295,133
Infrastructure Reimbursements	-	-	4,517	15,809,744
Total Revenues	\$ 300,000	\$ 1,050,000,000	\$ 318,451	\$ 1,114,579,877
<u>Costs</u>	Original Program		Return Enhancements	
	Per Unit	Total	Per Unit	Total
Site Acquisition	\$ 30,000	\$ 105,000,000	\$ 30,000	\$ 105,000,000
Development Costs - Other	40,000	140,000,000	20,000	70,000,000
Development Costs - CFD Eligible	-	-	20,000	70,000,000
Home Construction Costs	165,000	577,500,000	165,000	577,500,000
Budget Shortage Subsidies	970	3,395,000	970	3,395,000
Budget Shortage Subsidies - Reduction	-	-	(900)	(3,150,000)
Development Impact Fees	11,849	41,472,962	11,849	41,472,962
Development Impact Fees - Reduction	-	-	(3,389)	(11,860,541)
Development Impact Fees - Credits	-	-	(958)	(3,353,582)
Total Costs	\$ 247,819	\$ 867,367,962	\$ 242,573	\$ 849,003,839
Net Cash Flow (Profit)	\$ 52,181	\$ 182,632,038	\$ 75,879	\$ 265,576,038
Return on Costs	21.06%		31.28%	