LAUNCH
DEVELOPMENT FINANCE ADVISORS

4900 NORTH SCOTTSDALE ROAD
SUITE 3000
SCOTTSDALE, AZ 85251
TEL (855) 970-0003
www.launch-dfa.com

Land to Lots™ Podcast
Show Notes
Project Diagnostic™

1) **Project Priority**
   a) Regardless of the current economic climate, developers should always be reviewing and improving their entitlements and looking for ways to enhance their project revenues while reducing, eliminating and/or deferring infrastructure costs.

2) **What is the Project Diagnostic™ And How Can This Enhance a Project's Financial Returns?**
   a) Formalized Methodic Review of Development Projects to determine that all potential project revenues are being maximized and all project costs are being minimized.
      i) Starts with setting down with the project's
         (1) Land Use Plan
            (a) Where is the project located
            (b) Where are utilities coming from?
            (c) What is the anticipated phasing schedule?
            (d) What is the lot mix, amenity package, who will own and maintain the trails, open space, parks, lakes, etc.?
            (e) What are the jurisdictional infrastructure requirements?
            (f) Are we required to construct facilities in excess of our project's requirements?
         (2) Development Agreement / Conditions of Approval (if applicable)
            (a) Infrastructure requirements / timing
            (b) Allowability of public financing vehicles (special districts, impact fees, reimbursement agreements, sales tax increment, property tax increment)
            (c) Treatment of Impact Fees / determination of credits / can we sell fee credits to others
            (d) Oversizing Agreements
            (e) Jurisdictional funding offsets
               (i) Operations/Maintenance
         (3) Job Cost Reports
            (a) Determine most up to date costs
         (4) Project Proforma

(a) Review all lines items to see if they follow our understanding of the

(5) Project Proforma

ii) How do we do this?

(1) Review of top line sales information
(2) Inclusion of public finance vehicles
(3) Mitigation of jurisdictional shortfall payments
(4) Development impact fee reductions and/or credit analysis
  (a) Idea - Create a separate service area for your project to levy your own jurisdictional impact fee area.
(5) Infrastructure reductions strategies
  (a) Reimbursement Mechanisms

iii) Review Top Line Projections

(1) Price / Pace
  (a) Discuss lot segmentation and pricing with Land Advisor Brokers / Ancillary companies and other Launch partners.
  (b) The goal is to determine the reasonableness of assumptions and look for opportunities to enhance top line reviews.
    (i) Are we providing lots / coverage for all market segments.
    (ii) Review lot / view premiums for opportunities to move upward.
    (iii) Charging private infrastructure fees; amenity fees, marketing fees.

iv) Inclusion of Public Financing Mechanisms

(1) Tax Rate Analysis / Comparison
(2) Determine Bonding Capacity
(3) Establish Districts
(4) Issue Bonds
(5) Set your company up for success
  (a) Launch Control System™
  (b) Launch Reimbursement System™
    (i) This process will be outlined in future podcasts

v) Mitigation of Jurisdictional Shortfalls (If appropriate -We see this primarily in CA / AZ and starting to see in TX)

(1) Review Jurisdiction’s analysis
  (a) Critique / Tick and Tie/ Math Check
(2) Prepare Fiscal Impact
  (a) Utilize Jurisdiction’s Comprehensive Annual Financial Report
    (i) Use current levels of service

(ii) Use current costs of providing services

vi) Development Impact Fee Reduction and Credit Analysis

(1) Review appropriateness of fees in light of duel rational nexus / case law and industry standards
  (a) Multiple of common errors that we find in these studies (made as instructed)
  (b) We have been averaging a 26% reduction in fees reviewed since inception of our reviews.
    (i) This is a separate Land To Lots Podcast – Common Problems with Development Impact Fee Studies.
(2) Determine impact fee credits for infrastructure to be constructed by developer
  (a) Calculate DIF Credits
  (b) Different rules for different states – can really us this to our advantage as most jurisdictions are "cloudy" on their knowledge of fees.
(3) Land Developers Consider setting up a separate Service Area
  (a) Nominal Dollar Enhancement mechanism is to be reimbursed for large regional infrastructure projects via the DIF and other costs through special districts.
    (i) Will increase your nominal dollar returns.

vii) Infrastructure Cost Reduction Strategies

(1) See if the jurisdiction will fund some of the projects
(2) See if other property owners are benefiting from your improvements
  (a) Ask the jurisdictional to establish a reimbursement mechanism whereby they pay their fairs hare cost of facilities sooner rather than later.
(3) If other developers in the area investigate cost sharing opportunities
  (a) Separate podcast on this topic.

viii) Conclusion

(1) In this high stakes game, it imperative to develop a formalized procedure to accelerate cash into the proforma and minimize / offset costs.
(2) We have found that the foundation laid out in the Project Diagnostic is great framework which achieve this goal.

For more information contact Carter Froelich, CPA at carter@launch-dfa.com.