

Austin City Council Briefing

“STREAMLINED” DOWNTOWN DENSITY BONUS PROGRAM

20 June 2013



TOPICS:

- 1. BACKGROUND.**
- 2. SUMMARY OF CODE AMENDMENTS.**
- 3. SUMMARY OF RE-CALIBRATION.**
- 4. DISCUSSION AND QUESTIONS.**

BACKGROUND – CITY COUNCIL DIRECTION:

12/08/2011: “The City Manager is directed to process the amendments to City Code recommended in the Plan, which include but are not limited to . . . A downtown density bonus program.” (Ord. No. 20111208-093)

03/28/2013: “The City Council initiates Code amendments to codify [a] ‘streamlined’ Downtown Density Bonus Program that will replace C.U.R.E. zoning . . . and present the amendments to Council for consideration no later than June 6, 2013.” (Res. No. 20130328-031)

DAP'S DENSITY BONUS PROGRAM

DENSITY BONUS PROGRAM PATHWAYS
Downtown Austin Plan
Revised February 16, 2023

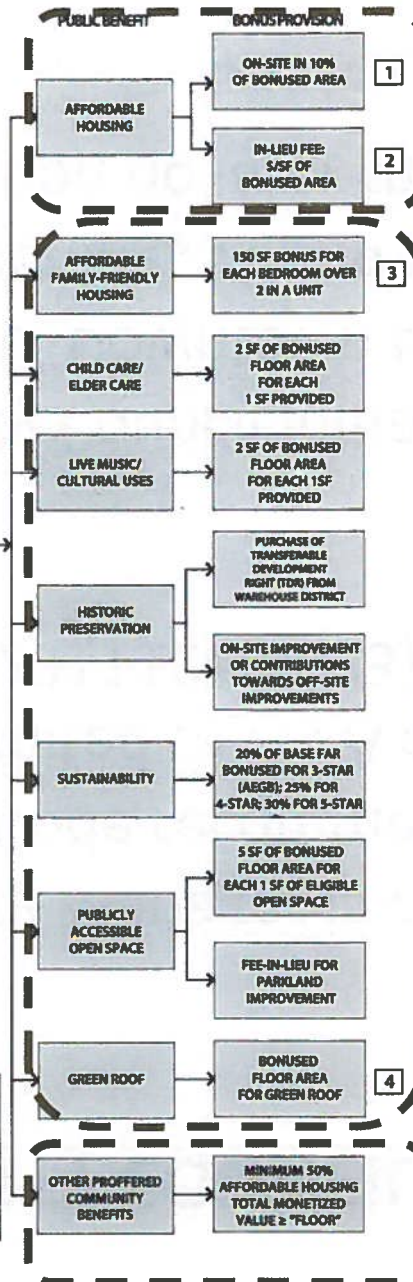
Gatekeeper Requirements

GATEKEEPER REQUIREMENTS FOR DENSITY BONUS:

- COMPLETE DESIGN PLANS & PERSPECTIVES
- SUBSTANTIAL COMPLIANCE WITH URBAN DESIGN GUIDELINES
- GREAT STREETS
- 2-STAR AEGB RATING

- * **FOREIGN-RESIDENTIAL PROJECTS:**
50% OF BASE FAR AUTOMATICALLY BONUSED
- FOR RESIDENTIAL PROJECTS:**
AT LEAST 50% OF BONUSED AREA MUST BE ACHIEVED BY PROVIDING AFFORDABLE HOUSING BENEFITS

- 1 The code amendments that codify the Downtown Austin Plan's Density Bonus Program will specify affordability levels for rental and ownership on-site affordable housing.
- 2 All of the Public Benefits that are part of the Density Bonus Program - including the in-lieu fee for affordable housing - will be re-calibrated prior to offering the code amendments for adoption.
- 3 In order to qualify for this Public Benefit, the unit within which an additional bedroom(s) is provided must qualify as an affordable unit.
- 4 The magnitude of the bonus floor area will vary depending on the site, location, and accessibility of the Green Roof.



Affordable Housing Community Benefits

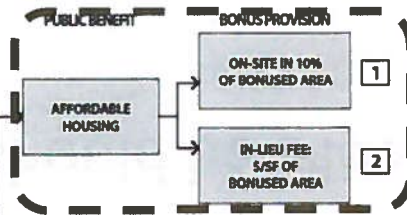
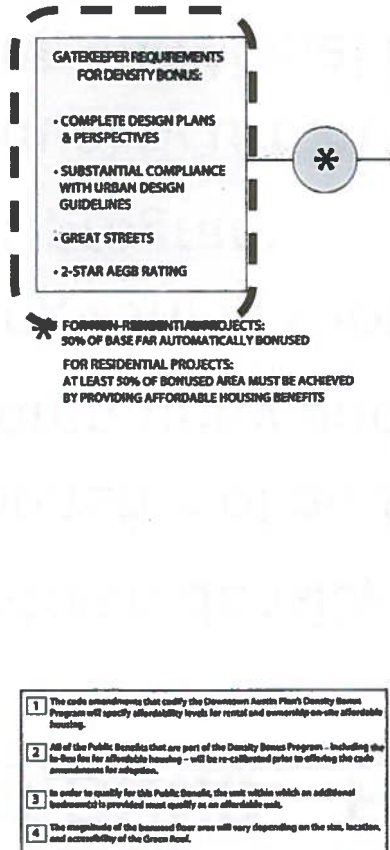
Other Listed Community Benefits

Other Non-Listed Community Benefits

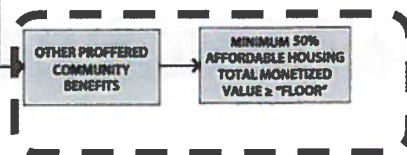
STREAMLINED DENSITY BONUS PROGRAM

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Gatekeeper Requirements



Affordable Housing Community Benefits



Other Non-Listed Community Benefits

BACKGROUND – FOUNDATIONAL PRINCIPLES:

1. Downtown density should be encouraged, not penalized.
2. The benefits of additional density should be shared between the community and the project.
3. Existing zoning should be retained as the base for the density bonus program.
4. High quality urban design should be required for all projects seeking additional density.
5. There should be one, administrative and predictable pathway to a density bonus.
6. Additional density should be allowed only where appropriate and compatible.

ORDINANCE:

- Amends CURE Combining District so that CURE may no longer be used to modify maximum FAR or maximum height within the Downtown Austin Plan area.
- Replaces the “Interim” Downtown Density Bonus Program with this Program. Contains the details of this Program.
- Sets the Development Bonus Fee.
- Sets the amount of Bonus square footage granted for On-Site Affordable Housing.

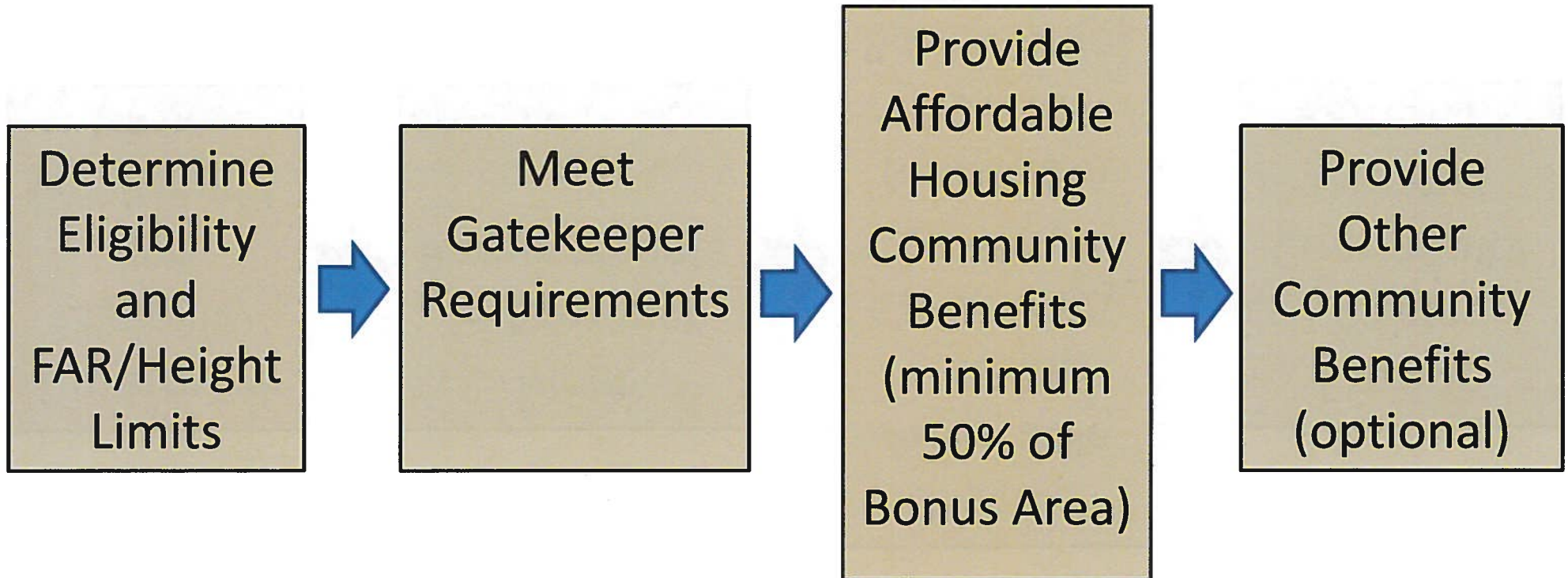
KEY TERMS:

PRIMARY ENTITLEMENT = The height and FAR entitlement that a parcel derives from its current zoning.

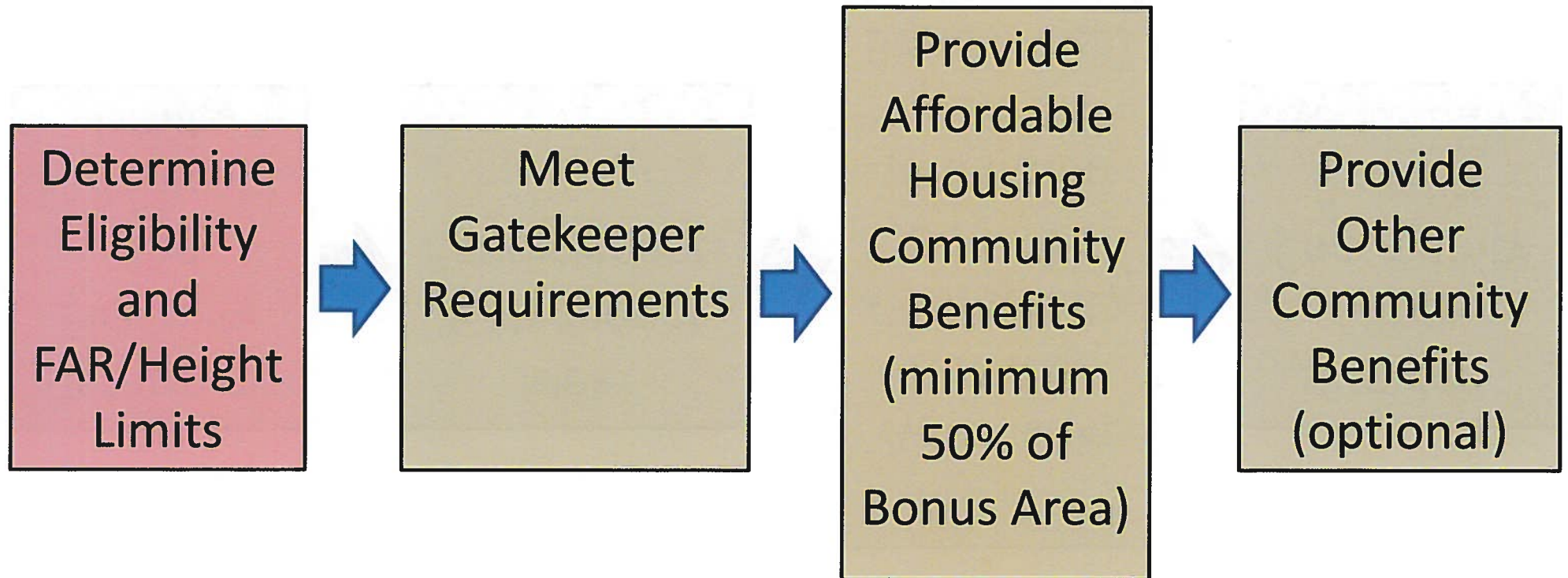
BONUS AREA = The greater of (a) the floor area that exceeds the Primary Entitlement's maximum FAR or (b) the floor area in the portion of the structure that exceeds the Primary Entitlement's maximum height.

DEVELOPMENT BONUS FEE = The fee to be paid to the City for each square foot of Bonus Area achieved under this program.

PROCESS:



PROCESS:

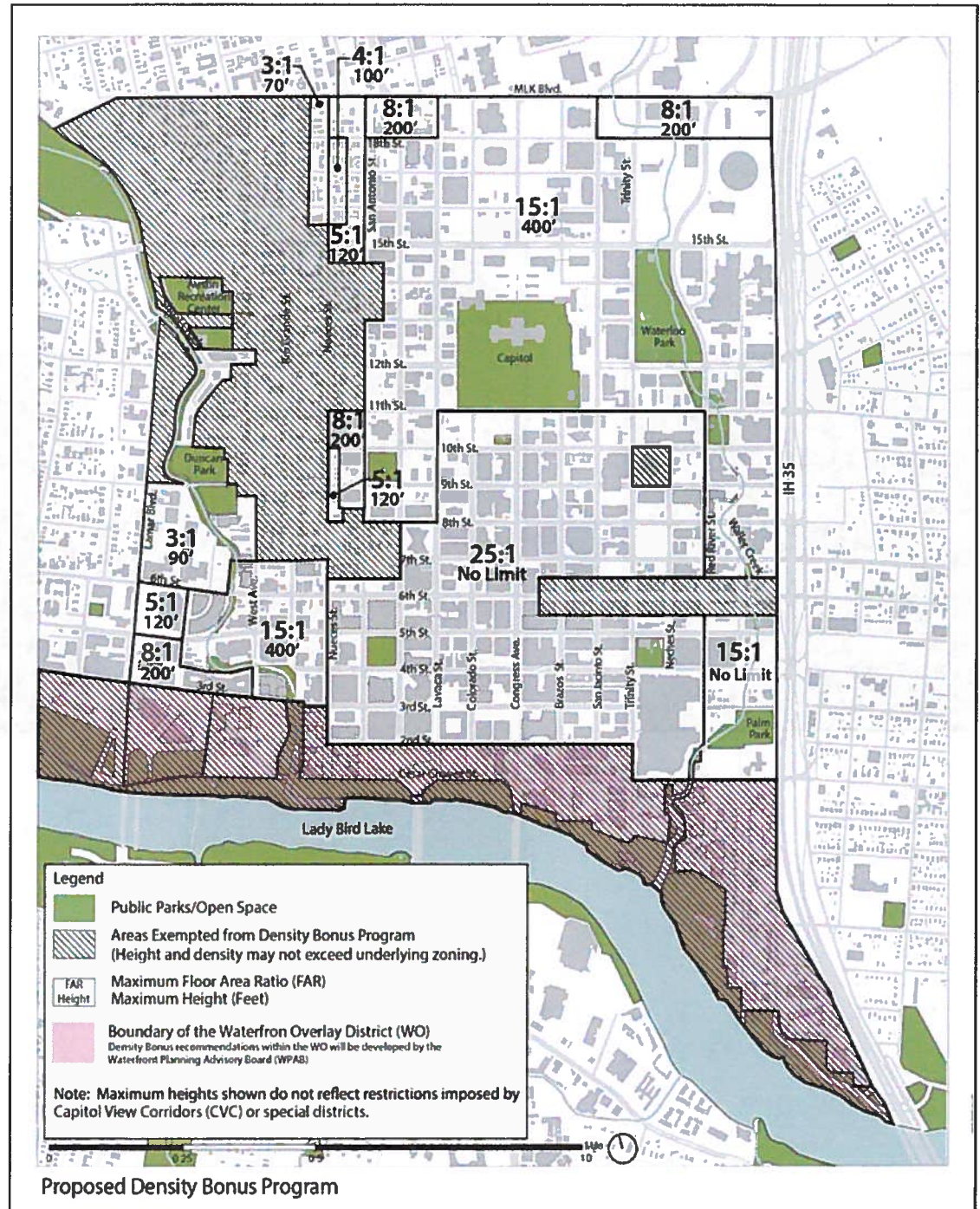


ELIGIBILITY AND LIMITS:

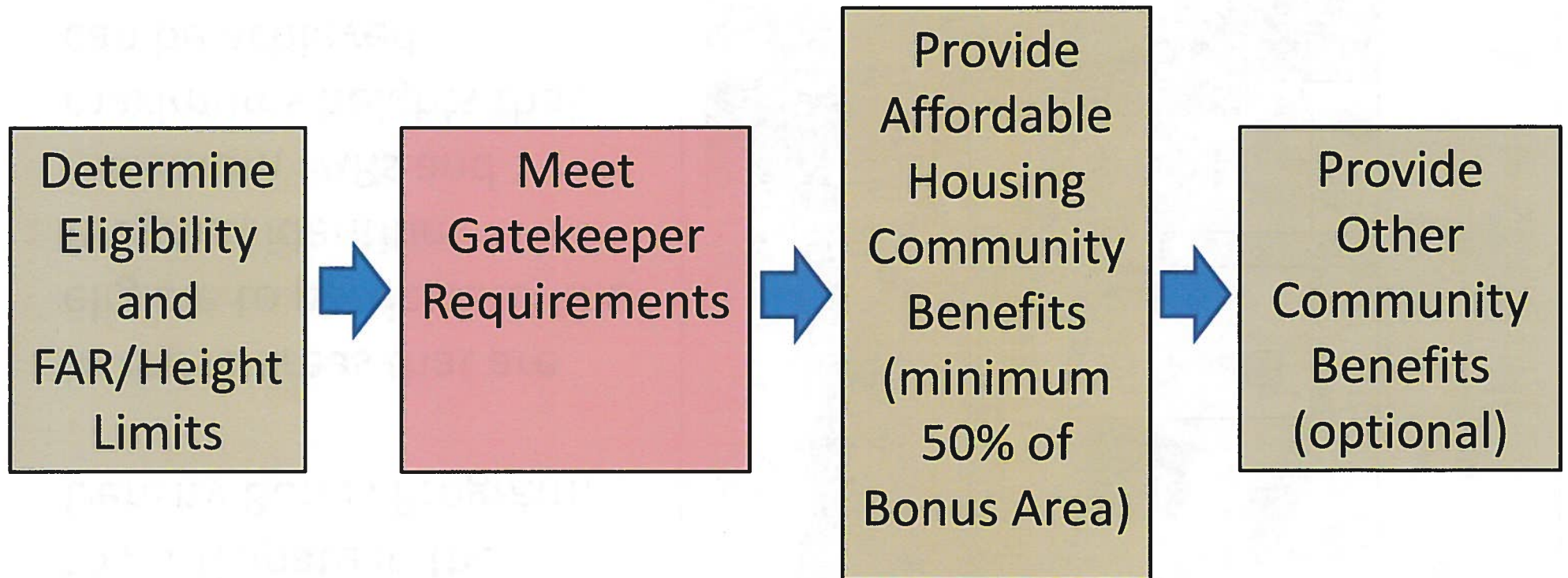
Parcels in some areas
Downtown are not eligible
to participate in the
Density Bonus Program.

In those areas that are
eligible to participate, the
Program identifies
maximum FARs and
maximums heights that
can be achieved.

* Waterfront Overlay



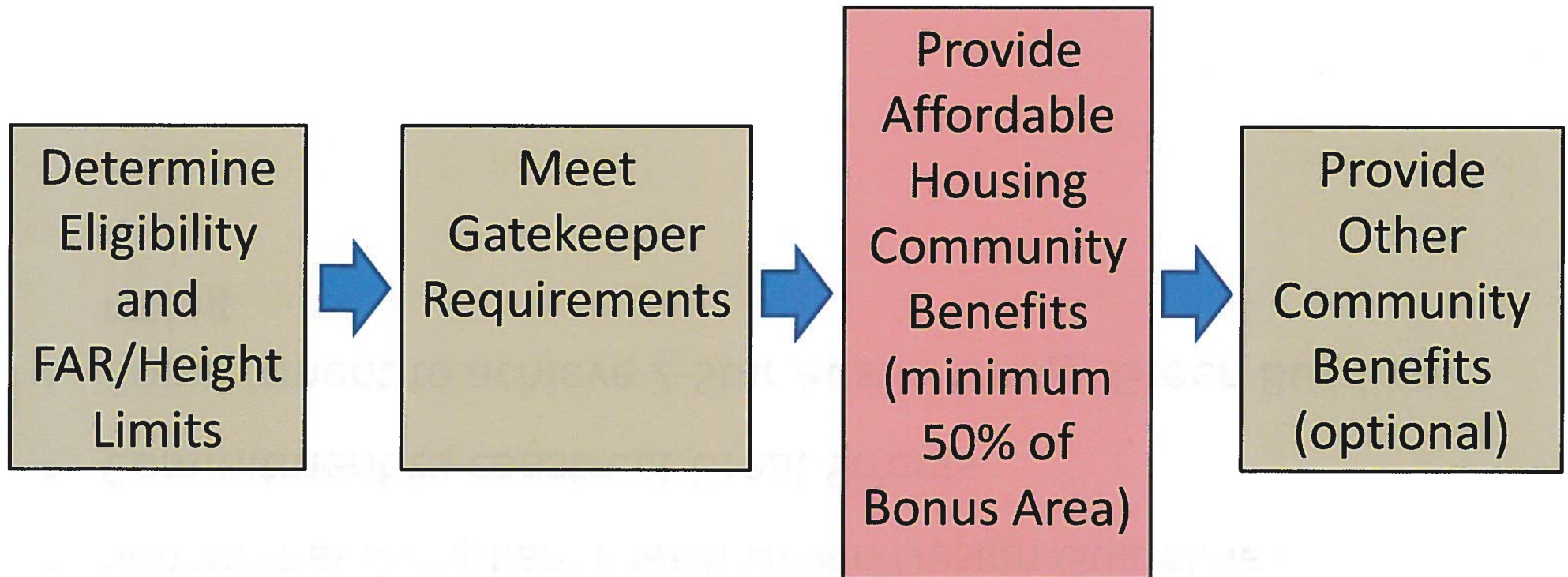
PROCESS:



GATEKEEPER REQUIREMENTS:

- Substantial Compliance with Urban Design Guidelines.
- Commitment to construct Great Streets.
- Commitment to achieve 2-Star Austin Energy Green Building rating.

PROCESS:



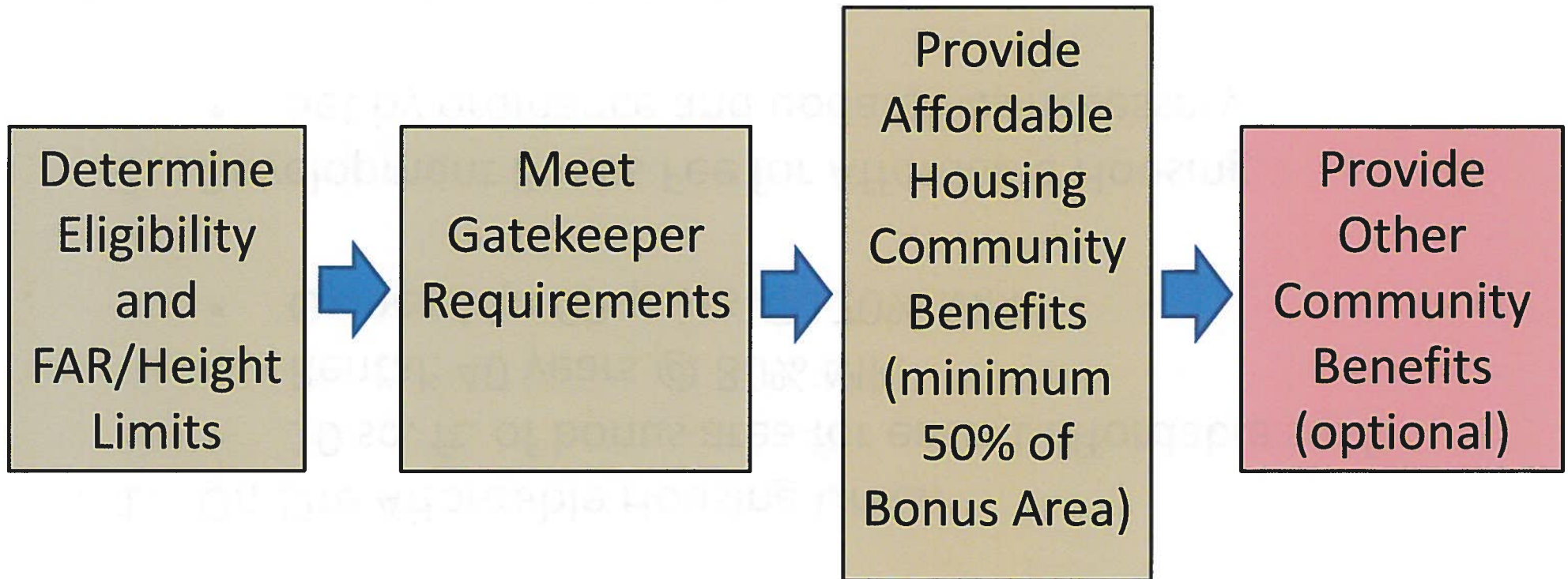
AFFORDABLE HOUSING COMMUNITY BENEFITS:

Two types:

1. On-Site Affordable Housing Units.
 - 10 sq. ft. of bonus area for each 1 affordable sq. ft.
 - Rental: 40 years @ 80% MFI
 - Ownership: 99 years @120% MFI
2. Development Bonus Fee for Affordable Housing.
 - Set by ordinance and updated as necessary.

Projects that achieve 100% of desired Bonus Area by providing Affordable Housing Community Benefits can be approved administratively.

PROCESS:



OTHER COMMUNITY BENEFITS:

Applies if the project seeks to achieve Bonus Area by providing benefits other than Affordable Housing Community Benefits (after having met the minimum 50% requirement).

Process:

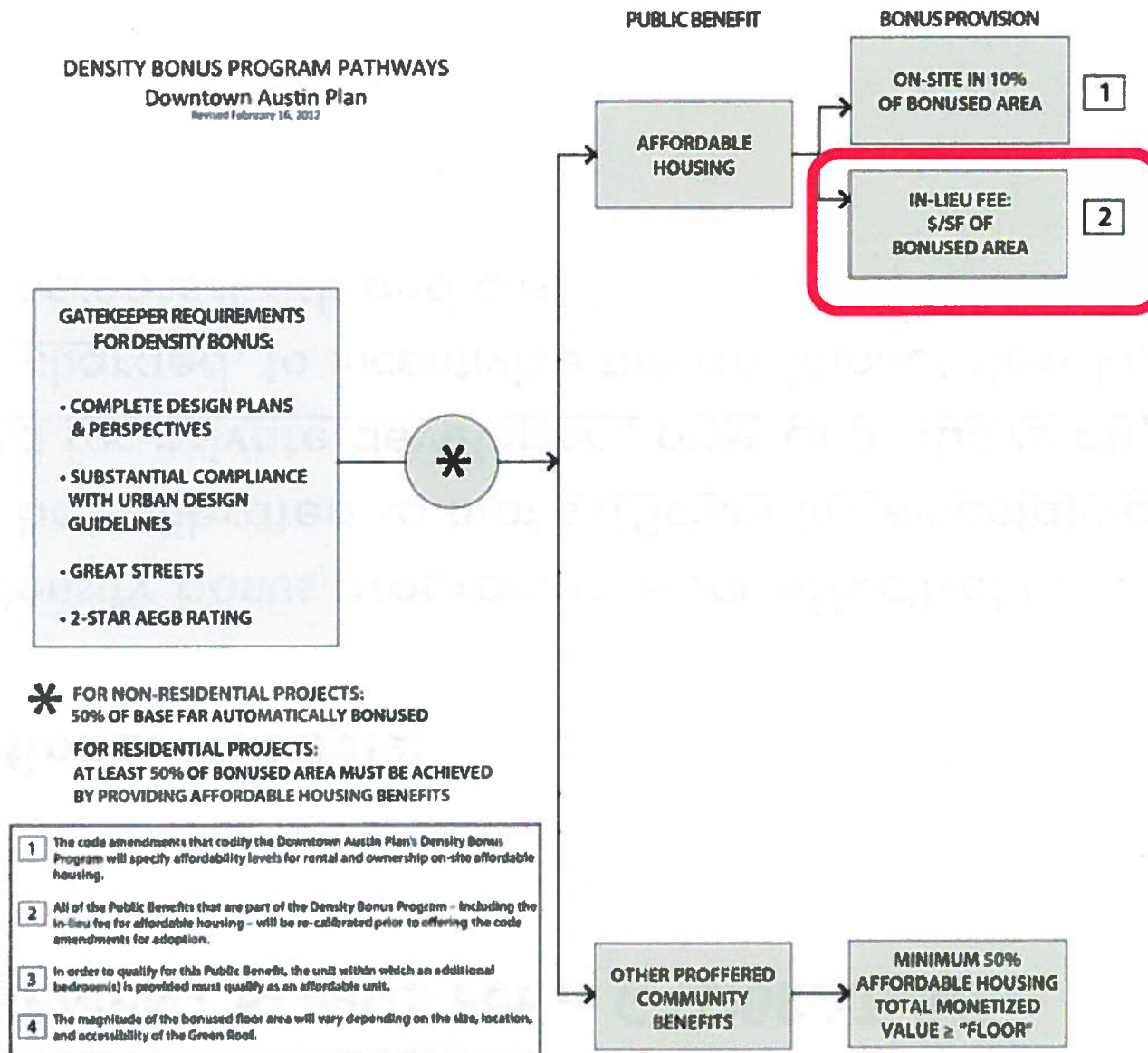
- Applicant identifies proposed Other Community Benefit and provides documentation (nature, cost, etc.) about it.
- Director (using criteria) determines whether the proposed benefit qualifies as a Community Benefit.
- Director (using criteria) determines what portion of the cost should be attributed to the Community Benefit.
- Director presents recommendation to Planning Commission and City Council for approvals.



DOWNTOWN DENSITY BONUS FEE RECALIBRATION Findings Presentation

June 2013

HR&A Scope: Recalibration of fee-in-lieu



DEVELOPMENT BONUS FEE – CALIBRATION

Foundational Principle:

“For a density bonus program to work effectively . . . bonuses need to be calibrated so that sufficient incremental value is produced for private developers, over and above any community benefits charged, to incentivize the additional development in light of increased risk and cost.”

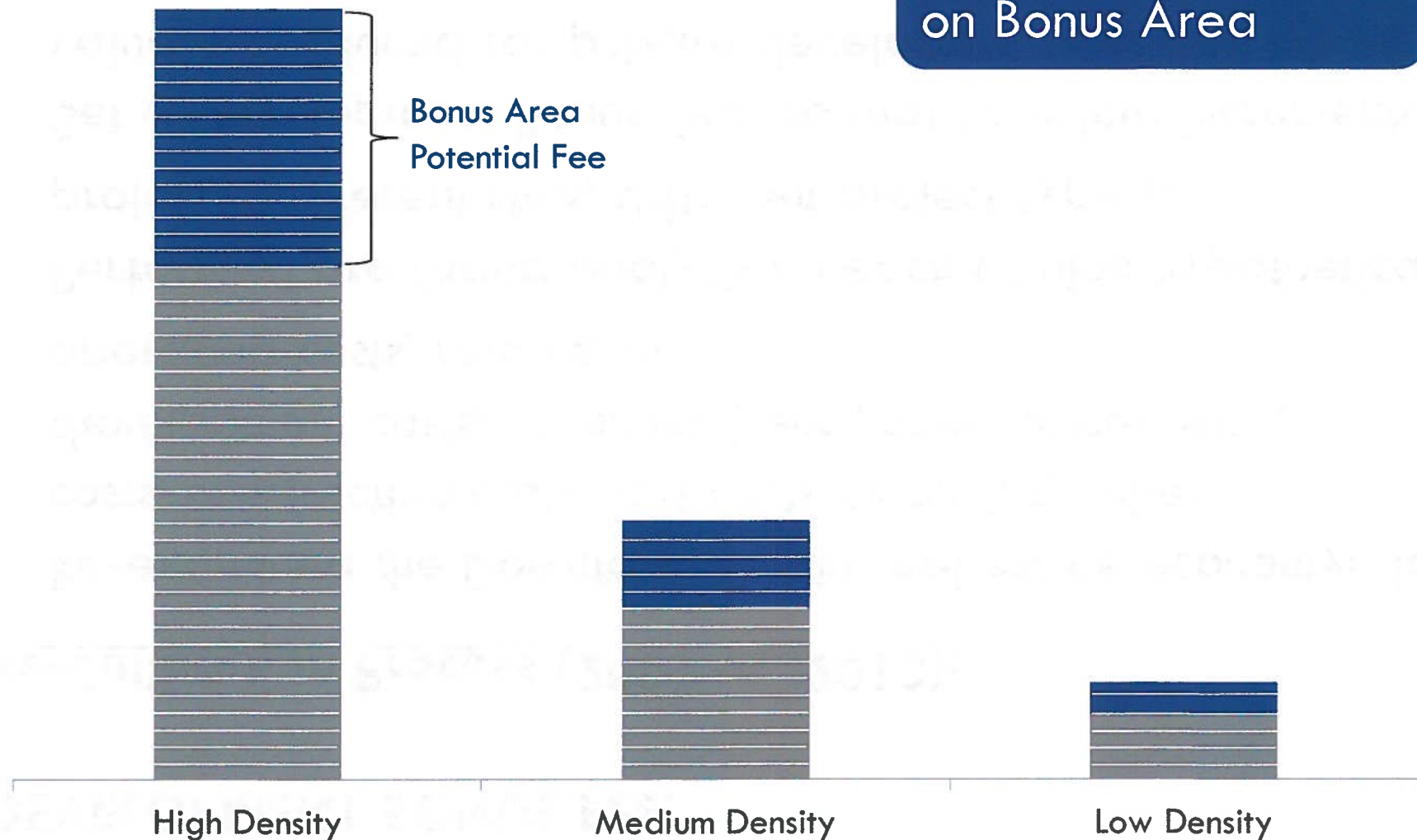
DEVELOPMENT BONUS FEE:

Re-Calibration Process (2009 vs. 2013):

- Re-examined the Downtown Austin real estate economy: land costs, construction costs, soft costs, financing, other development costs, revenues (rents, sales prices, etc.), operating costs, returns, etc.
- Performed pro forma analysis on each of nine hypothetical projects (different sites, different project types).
- Set a Development Bonus Fee “so that sufficient incremental value is produced for private developers, over and above [that Fee], to incentivize the additional development in light of increased risk and cost.”

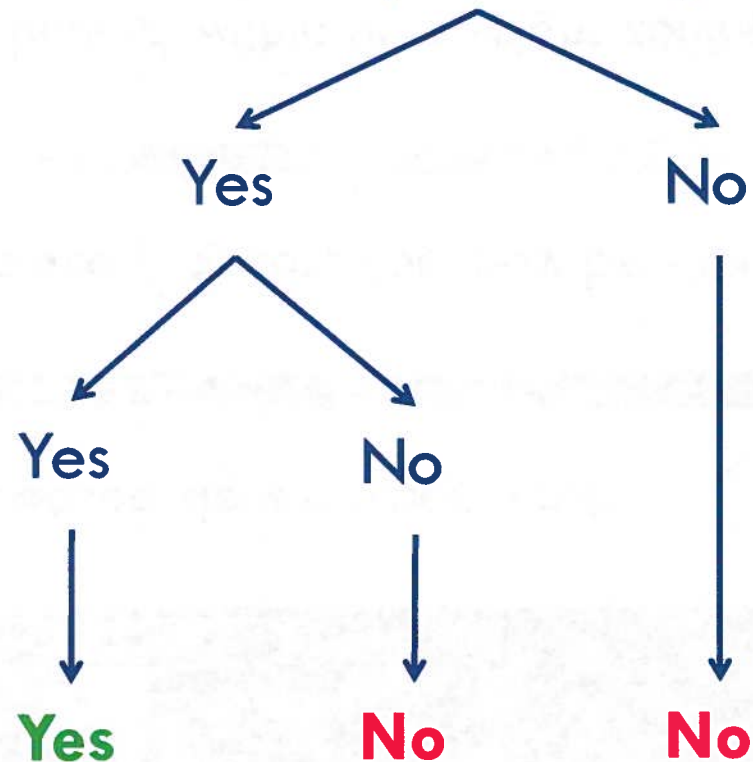
Recalibration of fee-in-lieu payments to be assessed on development that exceeds the as-of-right floor-to-area ratio (i.e., Bonus Area)

Fee only assessed on Bonus Area



Incremental value must be great enough to support fee

Downtown Development Project



- 1 Bonus density generates additional profits?
 - 2 Sufficient incremental value to also impose a fee?
- Fee-in-lieu on bonused density?***

More density may not lead to incremental profit



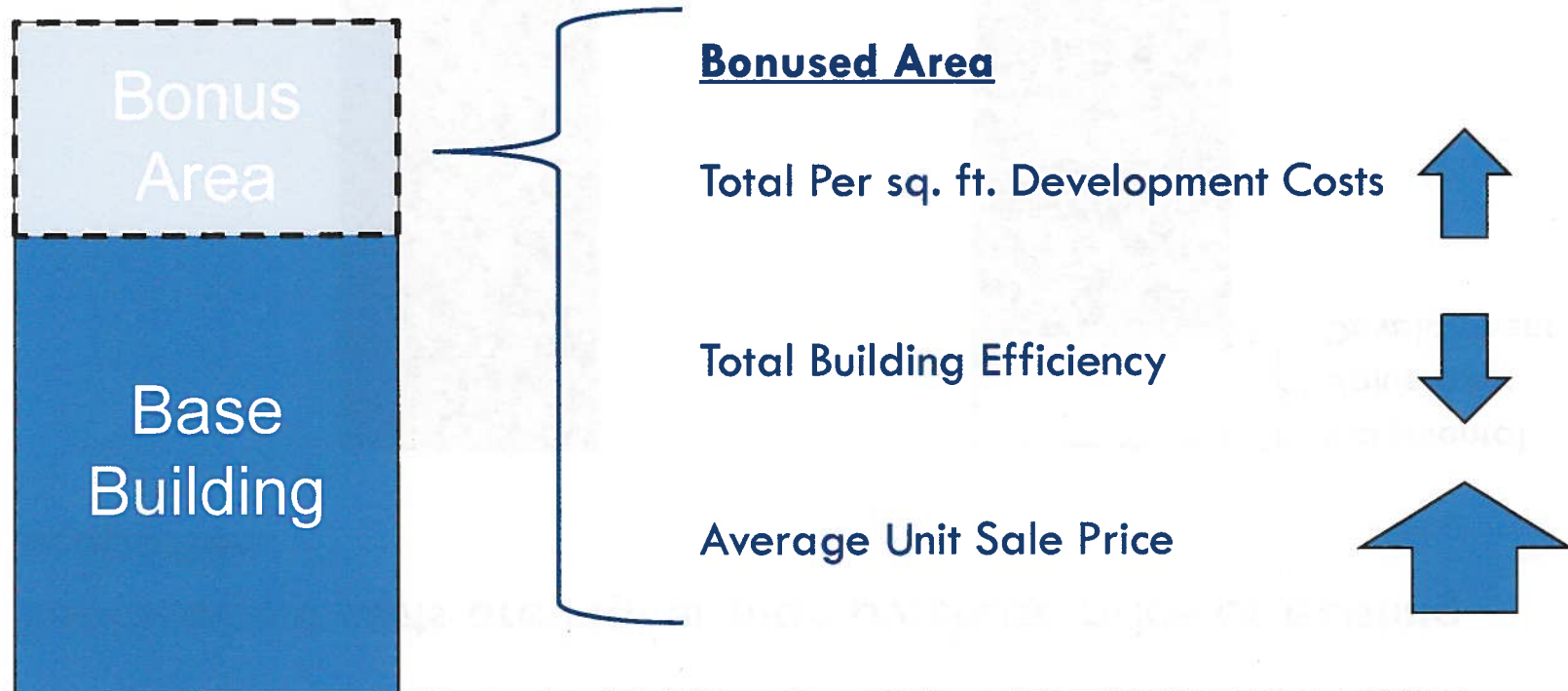
Returns outweighed by increased development costs

Market does not support more space / absorption may be slow

Development program can be achieved within as-of-right zoning

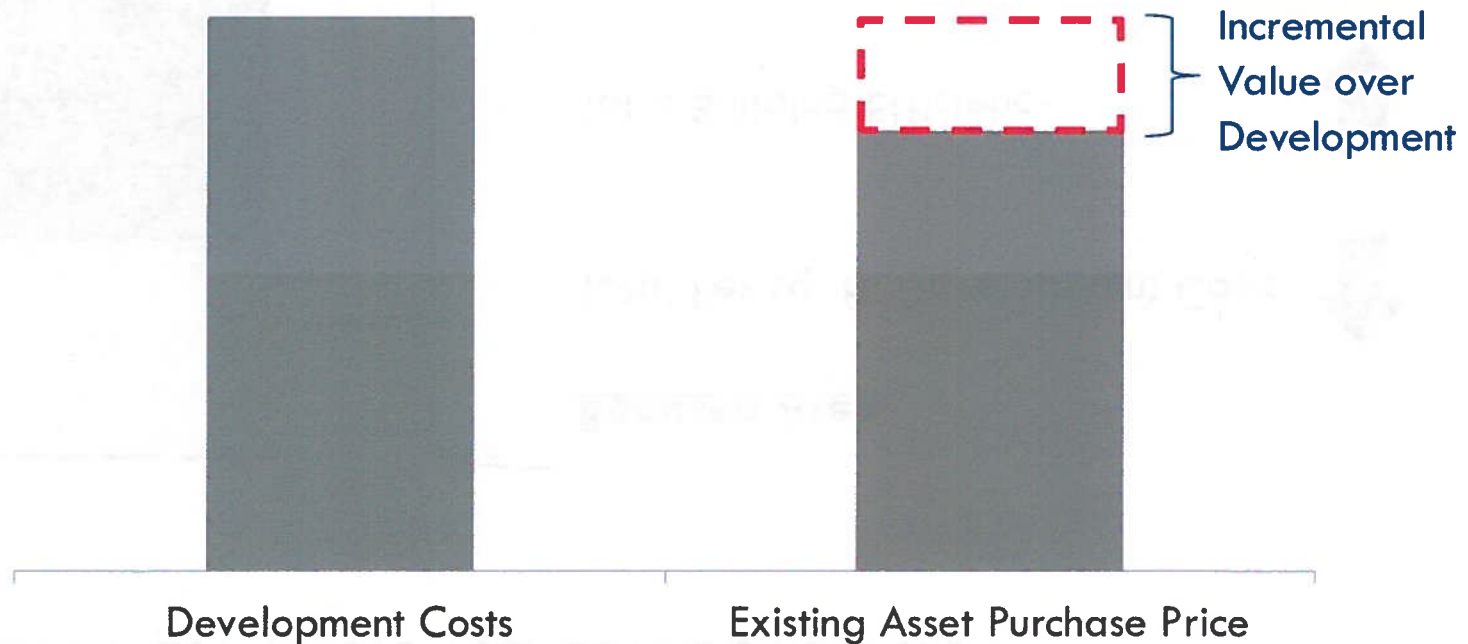
2013: Residential

- Higher floors provide a disproportion return on revenue despite an increase in per-square-foot development costs

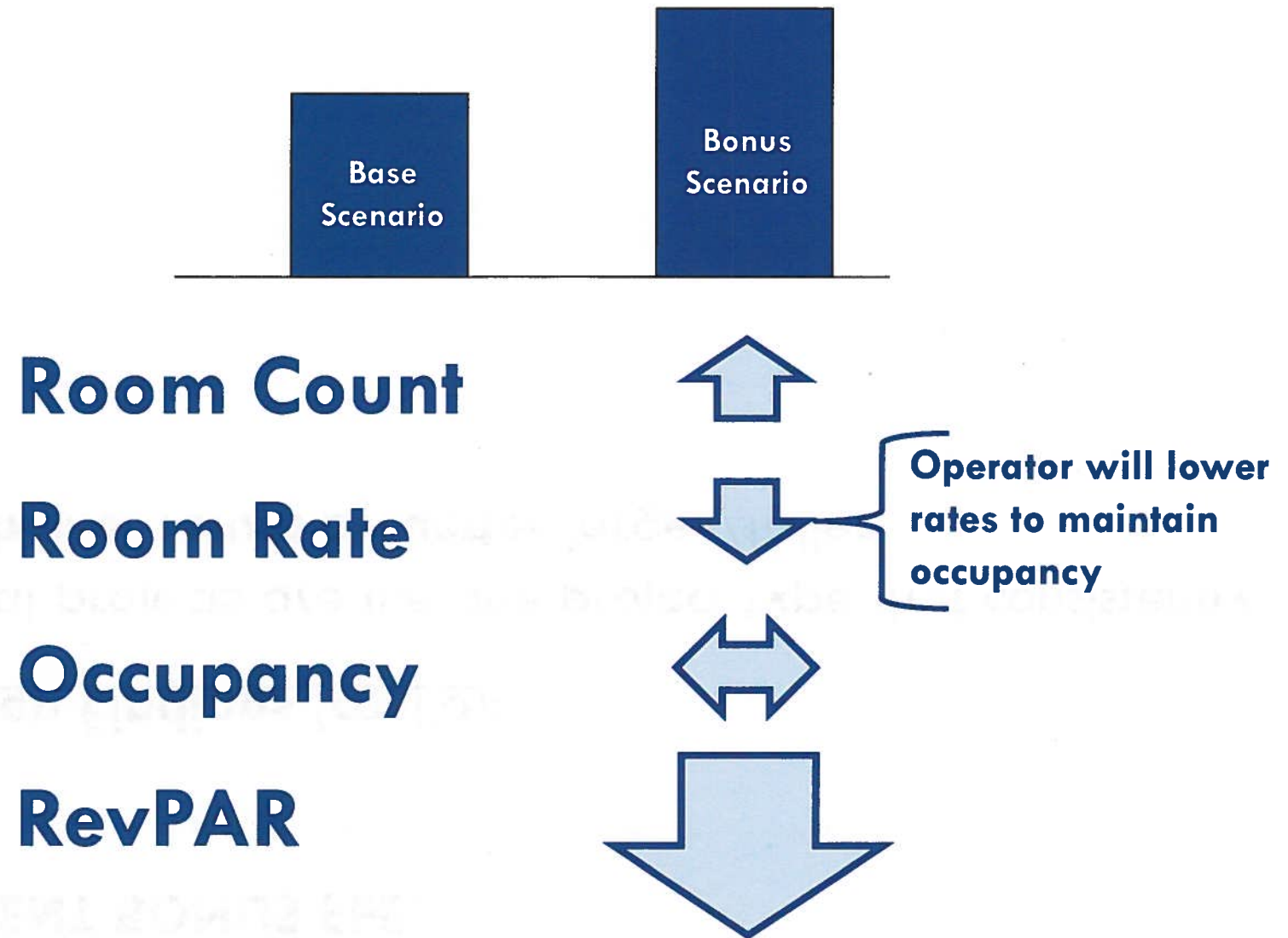


2013: Office

- Replacement costs are higher than purchase price of existing properties



2013: Hotel – Hotel economics decrease desirability for additional density



DEVELOPMENT BONUS FEE:

Re-Calibration Findings (cont'd):

- Residential projects are the one project type that consistently produce higher return by getting larger/taller.

DEVELOPMENT BONUS FEE:

Re-Calibration Recommendations:

- **Development Bonus Fee:**

Residential – Yes.

Office and Hotel – No. But must fulfill Gatekeeper Requirements.

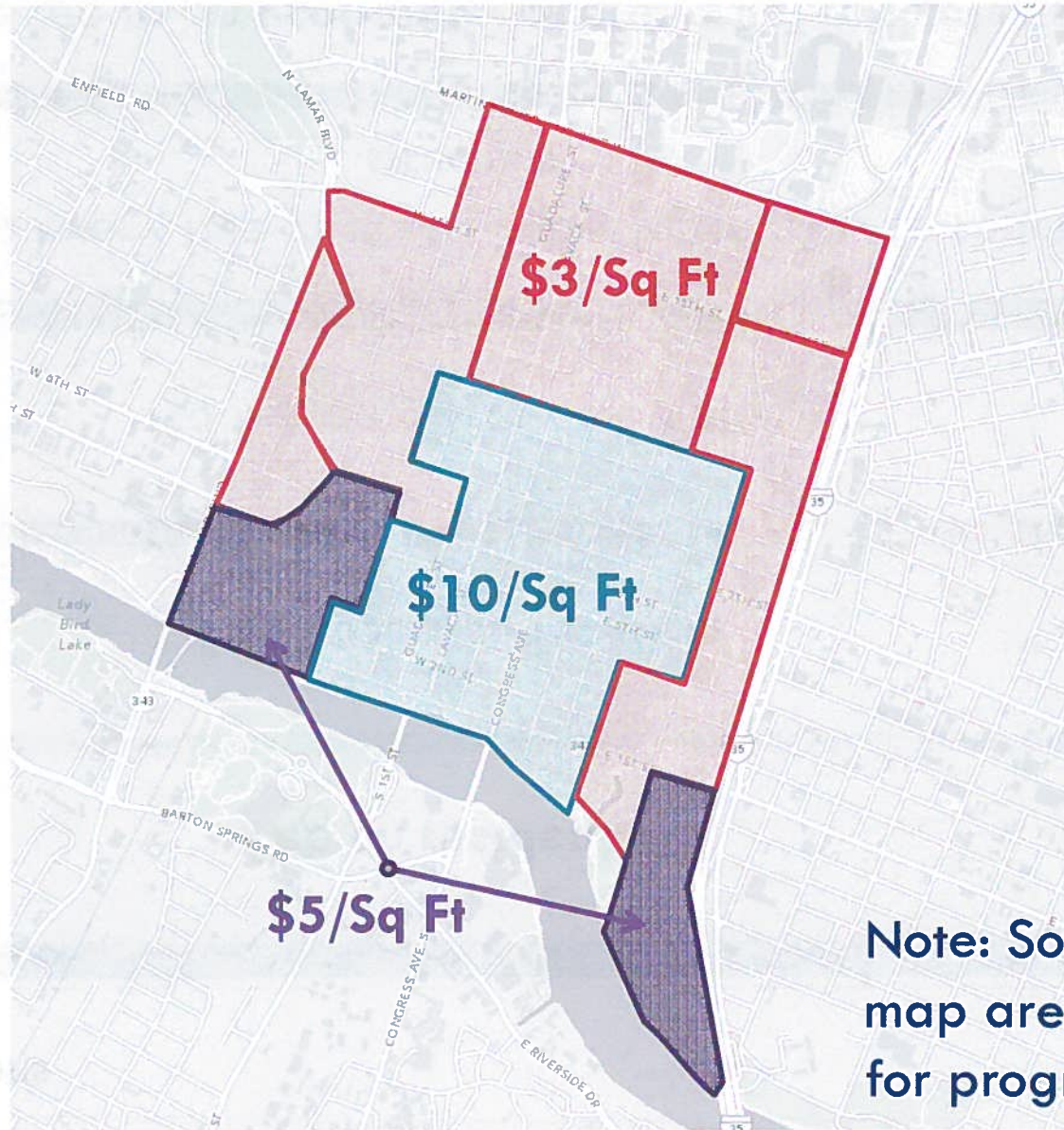
- **Development Bonus Fee should vary by Location.**

2013 Analysis: Findings by type of development

Development Type	Downtown District	Supportable Fee (\$/SqFt)
Residential	Core	\$10/SqFt
	Lower Shoal Creek, Rainey District*	\$5 / SqFt
	All Other Districts	\$3 / SqFt
Office	All Districts	\$-- / SqFt
Hotel	All Districts	\$-- / SqFt

*If eligible.

Highest fee* supported in highest density areas with demonstrated returns



*Fees only for residential projects

Note: Some areas on map are ineligible for program.

Recommendations

Fee on residential

Fee based on location

No fee on office and hotel

Recalibration every five years to allow for market to react to fee structure

Potential to tie fee to an economic/local market indicator so that it grows over time and recalibrates more frequently

2013 Analysis: Per unit impact of fee

Assumptions	Base	Bonus
Lot Area (Sq Ft)	25,000	25,000
Zoning (x:1)	8.0	12.0
Building Area (Sq Ft)	200,000	300,000
Unit Size (Sq Ft)	1,000	1,000
<u>Units</u>	<u>200</u>	<u>300</u>
Total Density Fee (assumes \$10/ Sq Ft of bonus)		\$1,000,000
Density Fee Per Unit		\$3,333

2013 Analysis: Impact on end user assuming 100% of fee is passed on

Impacts

Assumed Sale Price Range	\$400,000 to \$650,000
Total Monthly Mortgage Payment	\$1,800-\$2,600
Incremental Mortgage Payment Due to Fee	\$13.50
Increase in Monthly Payment	0.5% to 0.75%
Total 30-Year Gross Cost	\$5,400
NPV of 30-Year Cost to Consumer (6%)	\$2,609

PLANNING COMMISSION RECOMMENDATIONS:

- Have staff codify other community benefits by the end of 2013.
- Recommend recalibrating every three years (rather than staff-recommended five years or as needed).
- Strongly support having the fees be used for permanent supportive housing .
- Broaden definition of affordability to include transportation costs.

DOWNTOWN COMMISSION RECOMMENDATIONS:

- Have staff calibrate and submit code amendments for other community benefits by the end of 2013.
- Prohibit the use of PUDs Downtown as a means of obtaining bonus height or FAR.
- Recommend recalibrating a minimum of every three years (rather than the staff-recommended five years or as needed).
- Any project committing to provide on-site affordable housing should also commit to accept Section 8 vouchers.
- Staff should develop and implement a mechanism to monitor projects that commit to provide on-site affordable housing to ensure that those commitments are honored.
- Affordable housing fees generated by this program should be directed to serve households at or below 30% MFI.

NEXT STEPS:

June 27: City Council Public Hearing and Possible Action

QUESTIONS AND DISCUSSION

ADDITIONAL INFORMATION

HR&A Recalibration Market and Research Summary

Summary of Research: Interviews and other data sources

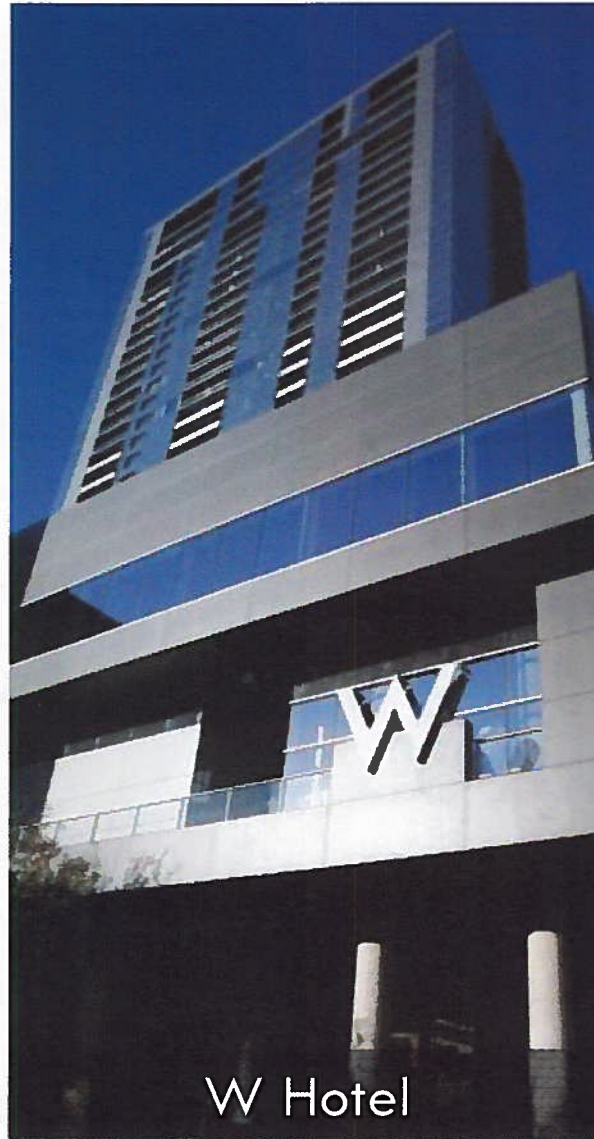
Interviews With:

- Developers
- Affordable housing advocates
- Landowners
- Property owners & operators
- Brokers
- Planners

Data Sources:

- CoStar
- ESRI Business Analyst
- Local and national broker reports
- Capitol Market Research
- Austin Investor Interests
- Smith Travel Research
- Austin Business Journal
- Austin Statesman
- Austin Chronicle

2009: Projects in the pipeline dominated by high-end condo



Not every development utilizes a density bonus

PROJECT	BASE FAR	BASE+ BONUS FAR	BUILT / DESIGNED FAR	BUILT BONUS AREA
<u>Used Full Bonus</u>				
W Block 21	8.00	12.00	12.00	50%
<u>Used Portion of Bonus</u>				
Austonian	8.00	25.00	18.30	129%
Spring	5.00	12.00	11.06	121%
Block 52	8.00	12.00	11.00	38%
Ashton	8.00	12.00	9.60	20%
360 Condos	8.00	10.00	9.36	17%
Legacy Town Lake	8.00	12.00	9.01	13%
<u>Did Not Use Bonus</u>				
Monarch	8.00	8.00	5.39	-33%
Four Seasons Residences	8.00	8.00	5.70	-29%
Commerica Bank	8.00	8.00	6.37	-20%
Block 51	8.00	8.00	7.14	-11%
Frost Bank	8.00	12.00	7.86	-2%

Multi-family rents & occupancy continue to improve as inventory expands

Population Growth

	<u>2000</u>	<u>2010</u>	<u>2012</u>	<u>2017</u> <u>(Projected)</u>	<u>CAGR</u>
Downtown	4,262	7,715	8,170	9,089	4.5%
Austin	677,272	790,390	822,670	921,061	1.9%

	<u>Q1 2009</u>	<u>Q1 2013</u>
Average Rent	\$1.81/sq. ft.	\$2.51/sq. ft.
Occupancy	85.5%	94.4%

Source: Austin Investor Interests LLC, HR&A and ESRI

New construction condominium prices reach new highs

Inventory comprised of **luxury product** appealing to **top tier** of buyer market

\$624/sq. ft. = average sale price for new construction in 2012

Average price for new condos in 2012 topped **\$1 million**

124 new condos sold in 2012
(~10 units/month)

Lack of new supply and low interest rates driving up sale prices as high-end buyers compete for limited inventory



Source: Capital Market Research, HR&A

Downtown Class A office market in full recovery mode

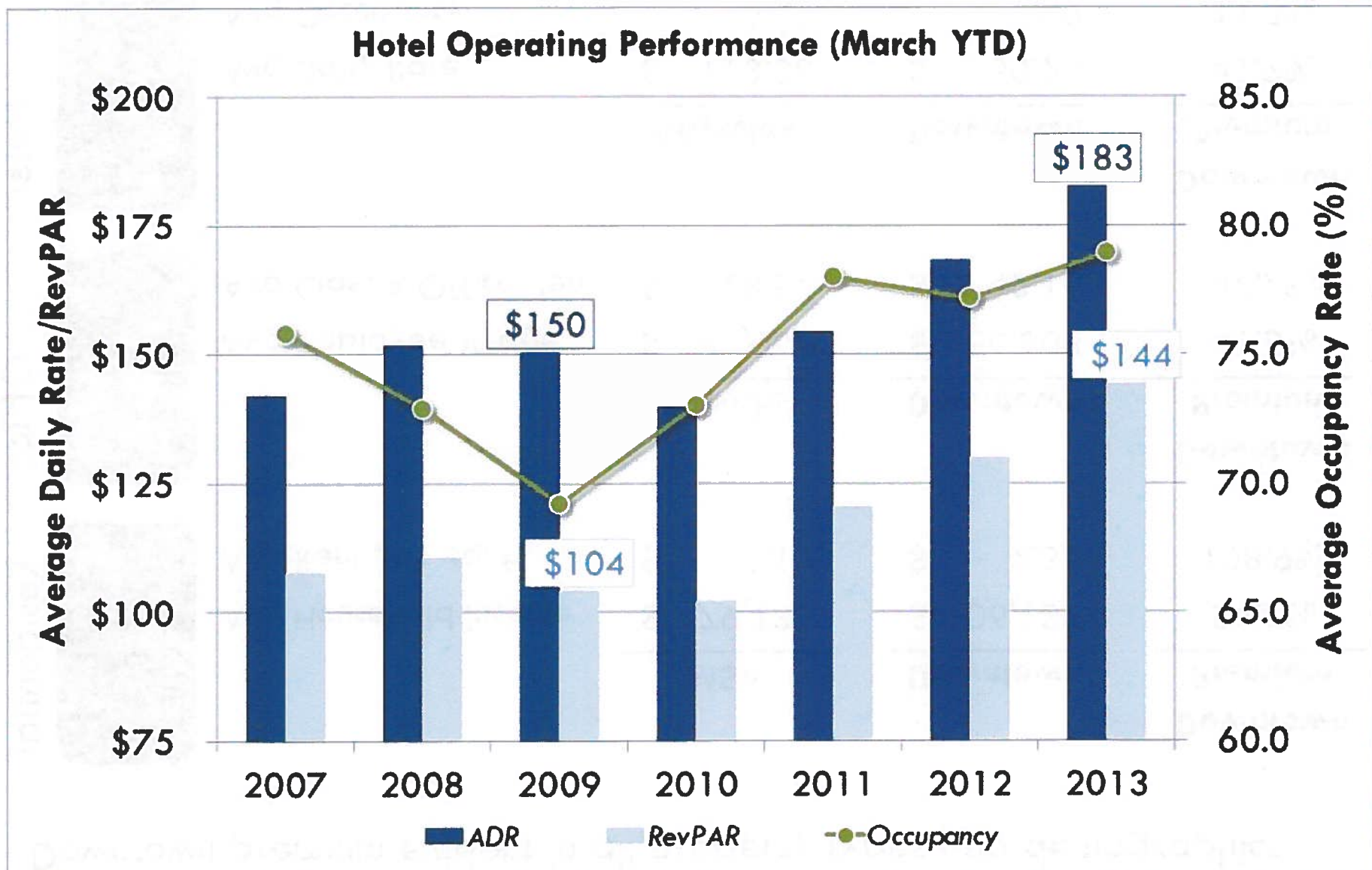
	<u>2009</u>	<u>YTD 2013</u>
SqFt of Class A Office	6.77 MM	6.83 MM
Vacancy	13.0%	9.8%
Average Rent	\$36/sq. ft.	\$40/sq. ft.
SqFt Net Annual Absorption*	(130,000) sq. ft.	208,000 sq. ft.

2013 achievable rent is \$28-32/sq. ft.; average rent is impacted by expense reimbursements and incremental value between listing and signing rents.

**YTD 2013 Net Annual Absorption over trailing 12 months*




Source: CoStar, HR&A

Hotel market is strongest it's been in the past six years



Source: Smith Travel Research, HR&A

Downtown premium evident in all property types and demographics

Residential			MSA	Downtown	Downtown Premium
		Avg Household Income	\$ 79,136	\$ 106,137	34.1%
		Avg Rent per sq. ft.	\$ 1.12	\$ 2.34	108.9%
Office			Suburbs	Downtown	Downtown Premium
		Avg Employee Wage	\$ 47,067	\$ 66,608	41.5%
		Avg Class A Office Rent	\$ 28.54	\$ 42.16	47.7%
Hotel			Citywide	Downtown	Downtown Premium
		Avg Daily Rate	\$ 113.08	\$ 160.23	41.7%
		Avg Occupancy	68.2	75.9	11.3%

Source: ESRI Business Analyst, Austin Investor Interests LLC, US Census Bureau, Oxford Commercial, Austin CVB, Smith Travel Research, HR&A

Current market conditions supportive of new private development

12 projects under construction
and another **30 projects planned**
containing:



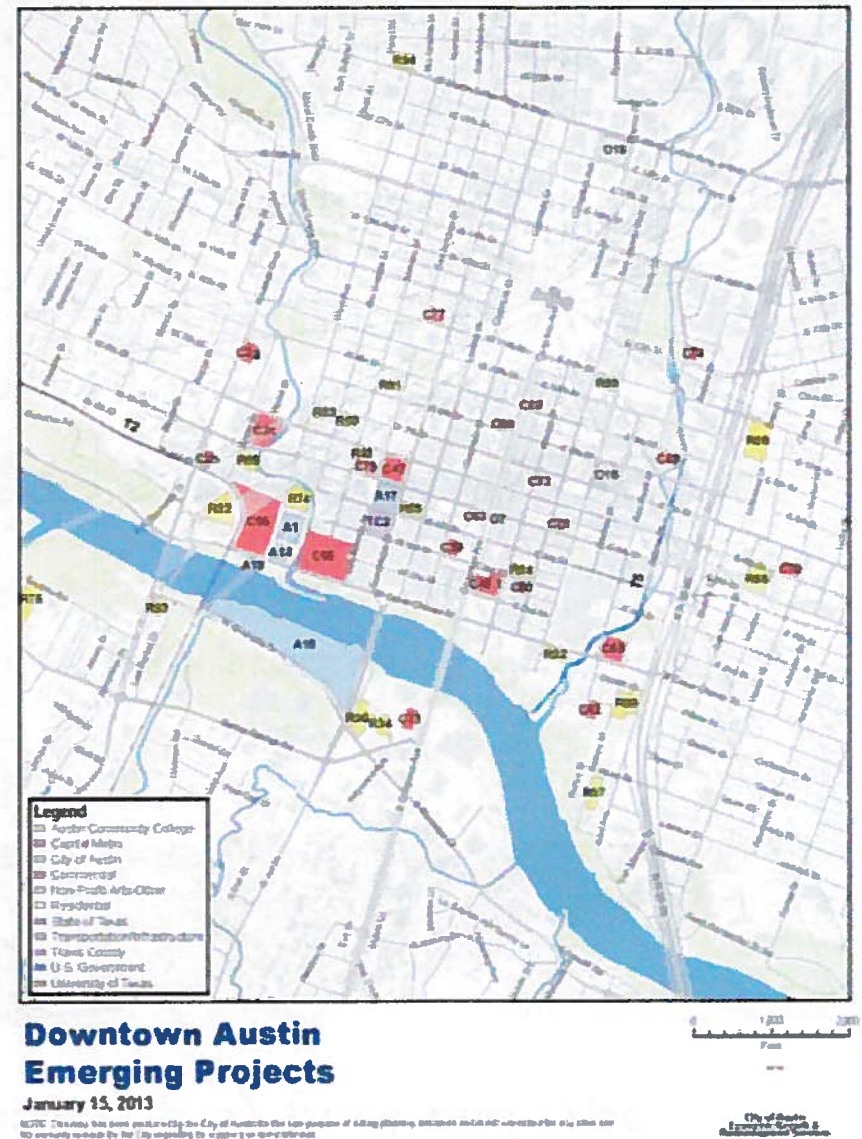
5,300+ housing units



2.6MM sq. ft.+ commercial



3,700+ hotel rooms



Source: City of Austin Economic Growth and Redevelopment Services, HR&A

2013: Residential market may be diversifying by price and type

Condo:

- Saturated market for highest of high end product
- Resales of existing units are in \$400-\$500/sq. ft. range

Multi-family:

- Rents approaching \$3 per square foot
- Mixed-use developments used to support increased density



2013: Office - Regional affordability dilutes demand for high-rise office product

10 Largest Companies Headquartered in Austin	2011 Revenue	Local Employees	Location
Dell	\$62 B	12,000	North side
<u>Whole Foods</u>	<u>\$10 B</u>	<u>2,000</u>	<u>Downtown</u>
Freescall Semi Conductors	\$4.6 B	5,000	South side
National Instruments	\$1 B	2,500	North side
Hanger	\$1 B	230	North side
EZ Corp	\$900 M	375	South side
National Western	\$600 M	275	North Side
<u>Silicon Laboratories</u>	<u>\$500 M</u>	<u>500</u>	<u>Downtown</u>
<u>Cirrus Logic</u>	<u>\$425 M</u>	<u>450</u>	<u>Downtown</u>
American Campus	\$400 M	700	West side

None of the 10 largest area private, non-healthcare, non-retail employers are headquartered downtown

HR&A Recalibration Methodology

Methodology: Project level returns and total development costs

CITY OF AUSTIN DOWNTOWN DENSITY BONUS

SUMMARY OF FEE-IN-LIEU POTENTIAL RESIDENTIAL CONDOMINIUM

DISTRICT: CORE

	BASE SCENARIO	BONUS SCENARIO
Program Summary		
Land Area	25,481 SF	25,481 SF
Floor Area Ratio	7.94 FAR	11.36 FAR
Gross Building Area	202,410 GSF	289,360 GSF
Net Rentable Area	168,000 NRSF	240,169 NRSF
Efficiency	83.0%	83.0%
Commercial NRSF	7,830 NRSF	7,830 NRSF
Residential NRSF	160,170 NRSF	232,339 NRSF
Residential Units	158	160
Average Unit Size	1,014 NRSF	1,452 NRSF
Parking Spaces	284	320
Parking Ratio	1.80 per unit	2.0 per unit
Development Cost Summary		
Total Project Cost	\$324 PSF	\$332 PSF
Land Cost (Acquisition)	\$30 PSF	\$30 PSF
Hard Cost (Building & Parking)	\$239 PSF	\$246 PSF
Revenue Summary		
Residential Unit Sale Price	\$550 PSF	\$572 PSF
Commercial Sale Price	\$332 PSF	\$332 PSF
Investment Returns		
Net Sales Proceeds	\$85,252,683	\$127,453,493
Total Project Cost	\$65,549,925	\$96,012,698
Net Profits	\$19,702,758	\$31,440,796
Return on Total Project Cost	30.1%	32.7%
Residual Value Analysis		
Targeted Return on Project Cost	30.0%	30.0%
Net Proceeds to Achieve Target ROC	\$85,214,902	\$124,816,507
Residual Project Value	\$37,780	\$2,636,986
Residual Project Value per GSF	\$0.19	\$9.11
Sensitivity Analysis		
Unit Sale Price to Achieve Target ROC	\$550 PSF+	\$565 PSF+
VALUE OF INCREMENTAL DENSITY		
Return on Total Project Cost - Base		30.1%
Return on Total Project Cost - Bonus		32.7%
Incremental Return on Cost		2.7%
Total Project Cost - Bonus		\$96,012,698
Incremental Return on Cost		2.7%
Incremental Surplus/(Deficit)		\$2,581,648
Incremental Density		86,950 GSF
Value of Incremental Density		\$29.69

Methodology: Project level returns and total development costs

Program

Development Costs

Revenue

Returns Comparison and Sensitivity Analysis

Incremental Value of Bonus Density

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Incremental Value of Bonus Density

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Methodology: Project level returns and total development costs

Program

Development Costs

Revenue

Returns Comparison and Sensitivity Analysis

Incremental Value of Bonus Density

CITY OF AUSTIN DOWNTOWN DENSITY BONUS SUMMARY OF FEE-IN-LIEU POTENTIAL RESIDENTIAL CONDOMINIUM

DISTRICT: CORE

	BASE SCENARIO	BONUS SCENARIO
Program Summary		
Land Area	25,481 SF	25,481 SF
Floor Area Ratio	7.94 FAR	11.36 FAR
Gross Building Area	202,410 GSF	289,360 GSF
Net Rentable Area	168,000 NRSF	240,169 NRSF
Efficiency	83.0%	83.0%
Commercial NRSF	7,830 NRSF	7,830 NRSF
Residential NRSF	160,170 NRSF	232,339 NRSF
Residential Units	158	160
Average Unit Size	1,014 NRSF	1,452 NRSF
Parking Spaces	284	320
Parking Ratio	1.80 per unit	2.0 per unit
Development Cost Summary		
Total Project Cost	\$324 PSF	\$332 PSF
Land Cost (Acquisition)	\$30 PSF	\$30 PSF
Hard Cost (Building & Parking)	\$239 PSF	\$246 PSF
Revenue Summary		
Residential Unit Sale Price	\$550 PSF	\$572 PSF
Commercial Sale Price	\$332 PSF	\$332 PSF
Investment Returns		
Net Sales Proceeds	\$85,252,683	\$127,453,493
Total Project Cost	\$65,549,925	\$96,012,698
Net Profits	\$19,702,758	\$31,440,796
Return on Total Project Cost	30.1%	32.7%
Residual Value Analysis		
Targeted Return on Project Cost	30.0%	30.0%
Net Proceeds to Achieve Target ROC	\$85,214,902	\$124,816,507
Residual Project Value	\$37,780	\$2,636,986
Residual Project Value per GSF	\$0.19	\$9.11
Sensitivity Analysis		
Unit Sale Price to Achieve Target ROC	\$550 PSF+	\$565 PSF+
VALUE OF INCREMENTAL DENSITY		
Return on Total Project Cost - Base		30.1%
Return on Total Project Cost - Bonus		32.7%
Incremental Return on Cost		2.7%
Total Project Cost - Bonus		\$96,012,698
Incremental Return on Cost		2.7%
Incremental Surplus/(Deficit)		\$2,581,648
Incremental Density		86,950 GSF
Value of Incremental Density		\$29.69

Methodology: Project level returns and total development costs

CITY OF AUSTIN DOWNTOWN DENSITY BONUS SUMMARY OF FEE-IN-LIEU POTENTIAL RESIDENTIAL CONDOMINIUM

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Returns Comparison and Sensitivity Analysis

Methodology: Project level returns and total development costs

Program

Development Costs

Revenue

Returns Comparison and Sensitivity Analysis

Incremental Value of Bonus Density

CITY OF AUSTIN DOWNTOWN DENSITY BONUS

SUMMARY OF FEE-IN-LIEU POTENTIAL RESIDENTIAL CONDOMINIUM

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Stabilized Year Cash-Flow Analysis

CITY OF AUSTIN DOWNTOWN DENSITY BONUS

PROJECT PLAN AND DEVELOPMENT BUDGET

RESIDENTIAL CONDOMINIUM

DISTRICT: CORE
SCENARIO: BASE

PROJECT PLAN FOR BUDGET CALCULATIONS

Site Area & Base Building		Land Use Program	
Zoning	GSD	Housing (HRSF)	158 du = 1,014,102 SF
Maximum FAR	8.00	Commercial (HRSF)	7,853
Land Area - SF	25,431	Total Net Rentable Area (HRSF)	108,000
Maximum Floor Area (GSF)	203,044	Building Efficiency	83.0%
Maximum Building Height	Unlimited		
		Parking Plan	
Gross Building Area (GSF)	202,410	Below Grade (spaces)	
Calculated FAR	7.94	Above Grade (spaces)	284
Building Height (Floors)	56	Total Parking Spaces	284

SUMMARY DEVELOPMENT BUDGET

		108,000 SF		202,410 SF		158 du	
Development Cost		Inputs	\$ Budget	Per HRSF	Per GSF	Per Real Unit	% of Total
Land Cost							
Land Acquisition (GSF / \$ GSF)	202,410	\$10.00	\$ 2,024,100	\$ 12.05	\$ 10.00	\$ 12,811	3.1%
Closing Cost (% of Land \$)	0.3%		\$ 6,072,300	\$ 36.14	\$ 30.00	\$ 38,432	9.3%
Land Due Diligence (% of Land \$)	0.2%		182,169	1.08	0.90	1,153	0.3%
			30,362	0.18	0.15	192	0.0%
Total Land Cost			\$ 6,286,831	\$ 37.41	\$ 31.05	\$ 39,777	9.4%
Hard Cost							
Building Cost (GSF / \$ GSF)	202,410	\$182.12	\$ 36,863,665	\$ 319.43	\$ 182.12	\$ 233,314	56.3%
Parking - Below Grade (Spaces/ \$ Space)	0	\$40,000	-	-	-	-	0.0%
Parking - Above Grade (Spaces/ \$ Space)	284	\$12,000	6,248,000	37.19	30.87	39,544	9.5%
Subtotal Direct Costs			43,111,665	234.62	212.99	272,859	65.8%
GC Overhead & Margin (% of Direct)	7.0%		3,017,817	17.96	14.91	19,100	4.6%
Subtotal Construction			46,129,481	274.58	227.90	291,959	70.4%
Developer Contingency (% of Construction)	5.0%		2,306,474	13.23	11.40	14,598	3.5%
Total Hard Cost			\$ 48,435,955	\$ 288.31	\$ 239.30	\$ 306,557	73.9%
Soft Cost							
Architecture & Engineering (GSF / \$ GSF)	202,410	\$10.00	\$ 2,024,100	\$ 12.05	\$ 10.00	\$ 12,811	3.1%
Residential Marketing (Unit / \$ Unit)	158	\$3,500	553,000	3.29	2.73	3,500	0.8%
Organizational, Legal & Professional (% Hard Cost)	5.0%		968,719	5.77	4.79	6,131	1.5%
Permit Fees (Unit / \$ Unit)	158	\$700	110,600	0.66	0.55	700	0.2%
Impact Fees (Unit / \$ Unit)	158	\$1,350	213,300	1.27	1.05	1,350	0.3%
HOA Reserve (\$ per month / month)	see HOA Reserve table		1,175,000	6.99	5.81	7,437	1.8%
Commercial Leasing Commissions	see Commission table		\$4,614	0.33	0.27	346	0.1%
Commercial TI (RSF / \$ RSF)	7,853	\$55.00	391,500	2.33	1.93	2,478	0.6%
Real Estate Tax Reserve	see RE Tax table		300,000	1.79	1.48	1,899	0.5%
Subtotal Soft Cost			5,790,833	34.47	28.61	36,651	8.8%
Developer Contingency (% of Subtotal)	5.0%		289,542	1.72	1.43	1,833	0.4%
Total Soft Cost			\$ 6,080,375	\$ 36.19	\$ 30.04	\$ 38,483	9.3%
Project Fees							
Development Mgmt Fee (% Hard + Soft)	3.0%		\$ 1,635,499	\$ 9.74	\$ 8.08	\$ 10,351	2.5%
Construction Mgmt Fee (% Hard)	0.7%			\$ 9.74	\$ 8.08	\$ 10,351	0.0%
Total Project Fees			\$ 1,635,499	\$ 9.74	\$ 8.08	\$ 10,351	2.5%
NET DEVELOPMENT COSTS			\$ 62,436,651	\$ 371.65	\$ 308.47	\$ 395,169	95.3%
Financing Costs							
Financing Fees (% of loan / \$ Construction Loan)	1.5%	\$45,884,947	\$ 688,274	\$ 4.10	\$ 3.40	\$ 4,356	1.1%
Interest Reserve (Int Rate / # Months)	see Financing table		2,425,000	14.43	11.98	15,348	3.7%
Total Financing Costs			\$ 3,113,274	\$ 18.53	\$ 15.38	\$ 19,704	4.7%
TOTAL DEVELOPMENT COSTS			\$ 65,549,925	\$ 390.18	\$ 323.85	\$ 414,873	100.0%

OTHER COST CALCULATIONS

HOMEOWNER ASSOCIATION RESERVE		\$ Annual	
Monthly HOA Fee (Avg Unit Size / \$ PSF)	1,014	\$3.60	\$ 608
Total HOA Fees (Units / Number of Months)	158	12	\$ 1,153,226
HOA Reserve (rounded up to nearest \$25,000)			\$ 1,175,000
COMMERCIAL LEASING COMMISSIONS		\$ Annual	
Initial Commercial Lease Value (\$ Annual Rent / Years)	\$182,049	\$	\$ 910,238
Estimated Commission (% of Lease Value)	6.0%		\$ 54,614
REAL ESTATE TAX DURING DEVELOPMENT		\$ Annual	
Land Value			\$ 6,072,300
Real Estate Taxes (Mill Rate / Months Development)	2.419045	24	\$ 293,783
PE Tax Reserve (rounded up to nearest \$25,000)			\$ 300,000
FINANCING CALCULATIONS		\$ Annual	
Total Project Cost			\$ 65,549,925
Construction Loan (Loan-to-Value Ratio)	70.0%		\$ 45,884,947
Average Outstanding Loan Balance (% of Loan)	50.6%		\$ 24,147,336
Calculated Accrued Interest (Interest Rate / Months)	5.0%	24	\$ 2,414,734
Interest Reserve (rounded up to nearest \$25,000)			\$ 2,425,000

Stabilized Year Cash-Flow Analysis

Income Producing Development



Residential Condominium Development



BENEFITS OF APPROACH

Same rigorous analysis with understandable explanation of “the answer”

Investment analysis based on core real estate fundamentals

Commonly used measures of ROI

Assumptions: Condo

Development Costs	Low rise: \$200-220/SqFt High rise: \$307-330/SqFt
Sale Price	Low rise: \$370-430/SqFt High rise: \$500-625/SqFt
Target Return	30% return on total project cost

Assumptions: Multi-family Rental

Development Costs	Low rise: \$190-210/SqFt High rise: \$280-320/SqFt
Rents	Low rise: \$2.20-2.50/SqFt High rise: \$2.90-3.02/SqFt
Occupancy	95%
Target Return	7% annual yield on total cost

Assumptions: Office

Development Costs	Low rise: \$240-260/SqFt High rise: \$380-400/SqFt
Base Rents	Low rise: \$20-24/SqFt High rise: \$28-32/SqFt
Occupancy	93%
Target Return	8.0% annual yield on total cost

Assumptions: Hotel

Development Costs	Low rise: \$200-250/SqFt High rise: \$320-340/SqFt
ADR	Limited Service: \$120-125 Full Service: \$175-230
Occupancy	72%
Target Return	8.5% annual yield on total cost

Review of Nine Massings: Locations

District One: **Core and Squares:** Highest intensity;
FAR 8.0; no height limit

District Two: **Uptown:**
Intermediate intensity;
Predominantly DMU zoned;
FAR 5.0; 120' height limit

District Three: **Northwest District:** Lower intensity;
predominantly GO and CS
zoned; FAR 1.0-2.0: 60'
height limit

