



Seacrest Village

Analysis of Intown Proposal and Preliminary Financial Feasibility Recommendations



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Overview

- Scope of Work
- Comparison of Intown & Alternative Development Scenarios
- Market Timing—Changes in Market Conditions Since 2005
- Review of Intown Proposal (Fishkind)
- Review of Alternative Development Scenarios
- Next Steps



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Scope of Work

- Test overall economic viability—does redevelopment make sufficient financial sense?
- Measure economic impacts to public & private participants
- Test *residual* land value, by use
- Calculate potential TIF revenues
- Provide information for CRA/City policies & priorities regarding redevelopment



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Review of Intown Development Program (May 2007)



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Program Comparison

Development Program Comparison Seacrest Village

Use	Intown Partners	Alternative Scenarios		
		Baseline	Moderate	High
Housing				
Market-rate	737	290	471	651
Workforce	315	126	206	286
Total	1,052	416	677	937
Units Per Acre	40	16	26	36
Projected Annual Absorption				
As % of New HH Growth in City	248	83	135	187
	52%	17%	28%	39%
Commercial				
Health Club	15,000	5,000	10,000	10,000
Retail/Restaurants	50,000	15,000	22,500	25,000
Office	30,000	5,000	12,500	20,000
Community Center	10,000	-	-	-
Anchor Grocery	40,000	-	30,000	40,000
Total	145,000	25,000	75,000	95,000

Sources: Intown Partners, LLC (May 2007); Economics Research Associates (June 2007)



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Market Timing

Market Shift Since 2005

- Activity has slowed *substantially* in past 18 months
- Absorption has contracted—from 35 to 40 units/month to **10 units/month**
- Slowdown producing excess residential inventory, conversion to rental, project cancellations
- Delayed market recovery could further increase inventory
- Population/employment forecasts reduced



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Intown Proposal

Overall Subsidy Request

- \$18 million in City/County infrastructure
- \$34.9 million in CRA TIF (at current rates)
- \$10.0 million in City/County land
- \$5.0 million in State workforce housing
- \$26.8 million in County workforce housing



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Intown Proposal

Tax Increment (TIF) Summary

- \$364 million in development costs (includes \$18 million in City/County infrastructure)
- \$329 million in incremental AV created
- Generates \$3.6 million in annual property tax revenues (at current rates)
- Total requested TIF bond: **\$34.9 million** (30 years)
- Net TIF “annual incentive award” (for annual debt service?): **\$3.3 million**



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Intown Financials

Projected Return on Cost

- No TIF or subsidy: **-10.35%**
- W/ TIF only: **-0.75%**
- W/ TIF & City infrastructure subsidy: **4.4%**
- W/ TIF & multiple subsidies: **18.8%** ⁽¹⁾⁽²⁾

(1) Includes \$41.8 million in land & workforce housing subsidies)

(2) Shown as 16.5% in Fishkind report



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Preliminary Conclusions

Intown Residential Program

- Projected absorption over 4.25-year buildout is too aggressive under current market conditions (248 units/year)
- Projected absorption would require **52%** capture of all City HH growth

Interest Expense Debt	Years
Predevelopment Debt	2.00
Phase 1	1.50
Phase 2	1.50
Phase 3	1.25
Subtotal	6.25



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Preliminary Conclusions

Intown Residential Program

- At proposed absorption, market-rate residential requires pricing discounts (10%+ below competitive projects)

Table 2. Pricing Structure for Residential Products at Seacrest Village

Product	Square feet per Unit	Price/Square Foot	Price/Unit
Market Rate			
Phase 1	1,225	\$250	\$306,250
Phase 2	1,250	\$265	\$331,250
Phase 3	1,250	\$280	\$350,000
Workforce			
Phase 1	1,100	\$195	\$214,500
Phase 2	1,100	\$205	\$225,500
Phase 3	1,100	\$215	\$236,500



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Preliminary Conclusions

Intown Commercial Program

- Proposed commercial program is too large for project's tertiary retail location
- Proposed retail rents (\$18-\$28/SF) are above-market for this location
- Proposed commercial uses require significant subsidies to attract anchor and supporting retailers



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Preliminary Conclusions

Intown Financial Program

- Proposed debt coverage ratio of 1.0 insufficient for level of risk associated with project (10%-20% below minimum risk thresholds for public/private projects)
- Project equity appears to be created solely by CRA/City (land acquisition funds)
- Insufficient data provided to evaluate year-by-year project performance, developer equity, IRR, infrastructure detail



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Review of Alternative Development Scenarios



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Program Comparison

Development Program Comparison Seacrest Village

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Alternative Scenarios

Tax Increment (TIF) Summary

- \$105-\$226 million in development costs
- \$109-\$232 million in total AV created
- \$1.1-\$2.6 million in annual property tax revenues (at current rates)
- Total potential TIF bonding capacity: **\$9 to \$20 million** (30 years)
- Net TIF annual debt service: **\$1.1 to 2.3 million**



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Alternative Scenarios

Retail (11-20K SF)

- Unleveraged IRR: 9% (vs. 15%-18% target)
- Return on Cost: 10.4%
- Residual Land Value: **(-\$14.51/SF of GBA)**
- **FINDING: Subsidy required**

Restaurant (9-15K SF)

- Unleveraged IRR: 8.5% (vs. 18%-20% target)
- Return on Cost: 9.8%
- Residual Land Value: **(-\$26.66/SF of GBA)**
- **FINDING: Subsidy required**



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Alternative Scenarios

Office (5-20K SF)

- Unleveraged IRR: 6.5% (vs. 10%-12% target)
- Return on Cost: 8.4%
- Residual Land Value: **(-\$48.77/SF of GBA)**
- **FINDING: Subsidy required**

MF Rental Apartments (126-312 units)

- Unleveraged IRR: 7.5% (vs. 10%-12% target)
- Return on Cost: 7.9%
- Residual Land Value: **(-\$33.86/SF of GBA)**
- **FINDING: Subsidy required**



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Alternative Scenarios

Market-rate Condominiums (100-236 units)

- Average unit sales price: \$280,500
- Profit Margin (net of land & infrastructure): 36%
- Residual Land Value: **\$36.59/SF of GBA**
- **FINDING: Feasible use with CRA participation**

Market-rate Townhouses (64-103 units)

- Average unit sales price: \$310,000
- Profit Margin (net of land & infrastructure): 27%
- Residual Land Value: **\$11.72/SF of GBA**
- **FINDING: Feasible use with CRA participation**



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Alternative Scenarios

Workforce Condominiums (126-286 units)

- Average unit sales price: \$229,500
- Profit Margin (net of land & infrastructure): 23%
- Residual Land Value: **\$3.18/SF of GBA**
- **FINDING: Feasible use with CRA participation; anticipates cross-subsidy with market-rate residential**



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Key Findings

Alternative Residential Program Summary

- Sufficient positive residual land value & developer returns generated by market-rate units suggests developer contribution to land &/or infrastructure
- Program scenarios reflect realistic absorption (over 5 years) given current market conditions, anticipated improvement 2-3 years out



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Key Findings

Alternative Residential Program Summary

- Projected price points of market-rate units (\$280,500-\$310,000) produce positive values & feasible returns
- Absorption may be strengthened with additional workforce units; however, this is likely to reduce developer returns & TIF revenues



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Key Findings

Alternative Commercial Program Summary

- Significant physical constraints (lack of frontage, FEC RR) limit retail potentials
- Second-tier grocery store critical to support neighborhood retail program
- Detailed grocery store analysis requires additional data



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Key Findings

Alternative Commercial Program Summary

- Tertiary location, insufficient rents, high costs & expenses produce significant risk, with **returns below market-thresholds**
- *Negative* residual land values require subsidies for all commercial uses



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Key Findings

Development Program Comparison Seacrest Village

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Source: Intown Partners, LLC; Economics Research Associates, June 2007



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Key Findings

Financial Program Summary

- A modified development program with less commercial and more residential use will produce CRA revenue
- Those projected revenues would fund land acquisition, infrastructure, &/or cross-subsidies for commercial uses and workforce housing
- Additional discussion needed to determine CRA priorities to finalize economic modeling and development program recommendation



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Project Schedule

Next Steps

- Analyze economic impacts (jobs, tax revenues)
- Meet with community/property owners
- Integrate market & financial feasibility studies with planning evaluation
- Determine generalized infrastructure costs
- Prepare draft report for CRA
- Conduct community discussion on July 26th
- Determine CRA priorities and policy directions



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Questions and Comments



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