



Reaching Out For Investment: What Works in This Market?



kevin.greiner@ibigroup.com
www.ibigroup.com
954.974.2200

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Kevin T. Greiner
Senior Planner, IBI Group Inc.

kevin.greiner@ibigroup.com
www.ibigroup.com
954.974.2200

Vivian Brooks
Executive Director, Boynton Beach CRA



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1. The New Development Environment
2. Different Approach
3. Specific Tools
4. Case Studies - Where It's Working



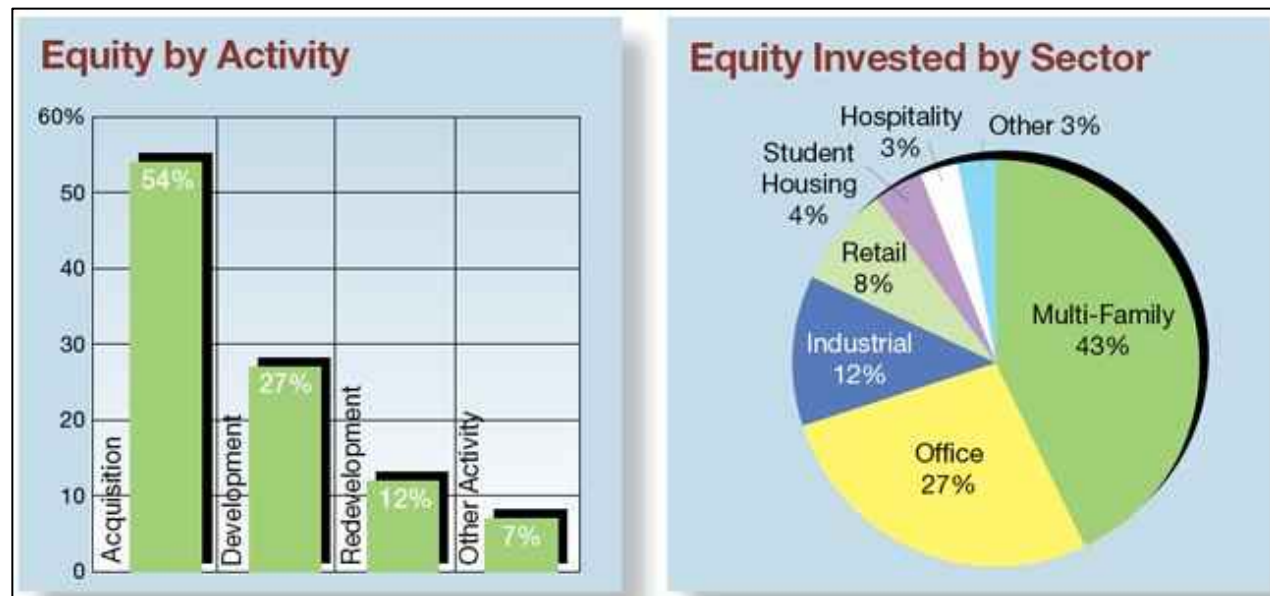
The New Development Environment:

Location Isn't Enough



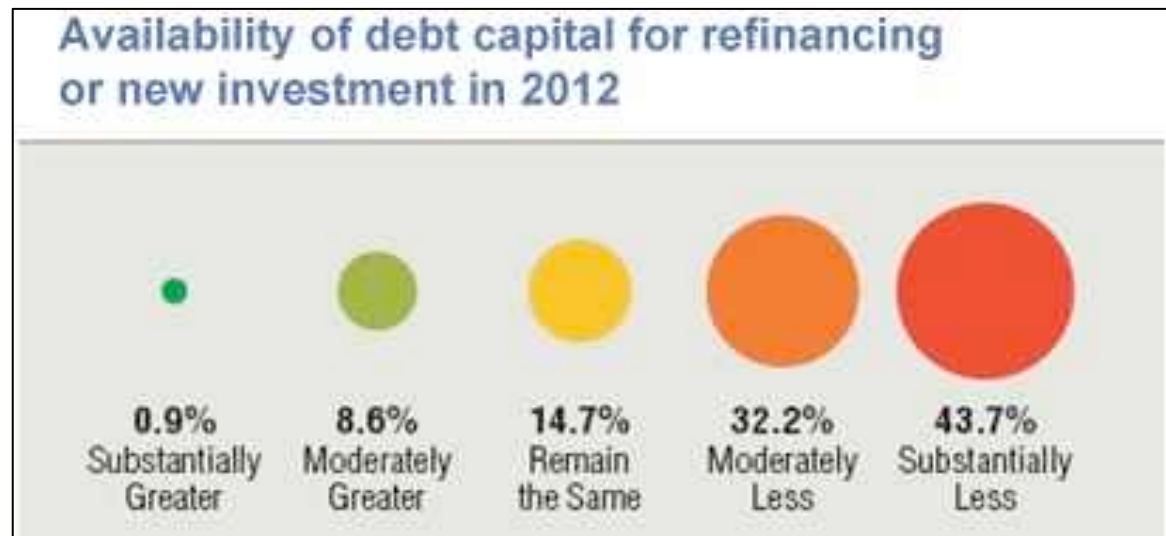
Sluggish Capital Markets - Here to Stay

- Vast Majority of Investment in Existing Assets
- Capital Hard to Obtain, Despite Low Interest Rates
- Reluctance to Invest in Ground-up Development
- 60% of the Mortgage Industry Wiped Out
- Slow Equity Participation



Developers Challenged With:

- Limited Cash Flow From Existing Projects
- Limited Working Capital for New Projects
- Little or No Land Appreciation
- Conservative Lending Practices
- High Loan-to-Value – 70% Min, 60%
- Increased Loan Guarantee Requirements



Developers Challenged With:

Incomplete Capital Stack Formation

Especially for New Development



What it Means For Redeveloping Underutilized Properties

- Capital Market More Competitive for New Development
- Developers Much More Selective
- Developers and Investors Unwilling to Underwrite Expensive Up-front Costs on New Development
- Development and Investment Community Seeking:

Predictability, Certainty & Short Pre-Construction Period

What it Means For CRAs

Successful Redevelopment, More than Ever, Requires:

Tee it up -

- *Removing* Non-Monetary Barriers: Regulatory and Political Issues
- *Building* Targeted Development Capital Tools

Step it up –

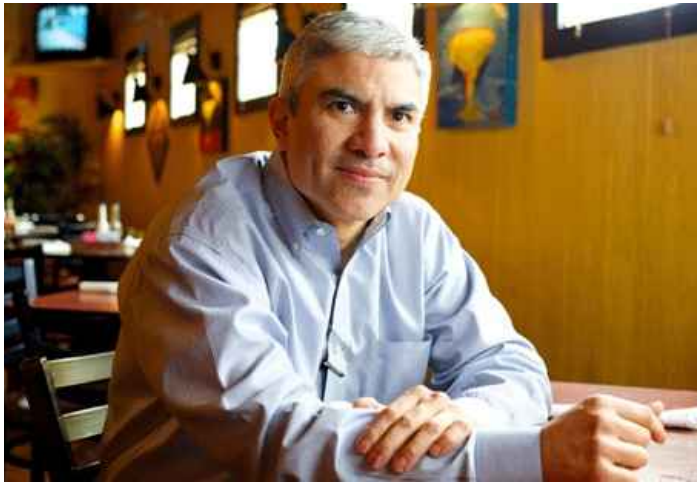
- New Level of Development Participation



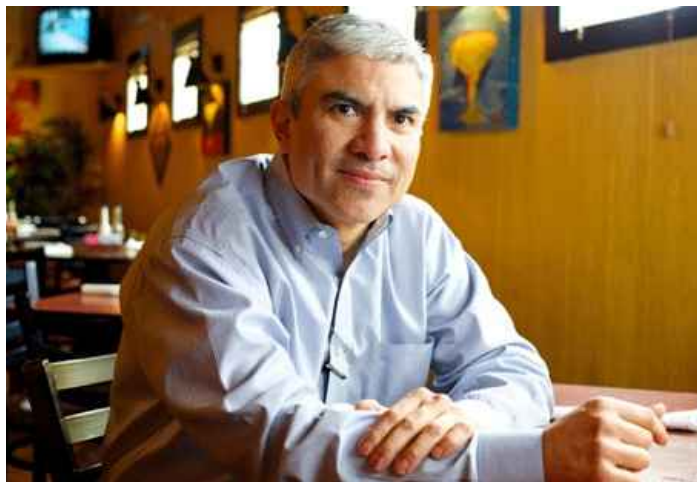
IBI's 7 Step *Redevelopment Business Plan Process*



Quantifiably Establish Public Opinion



- Broad-Based Public Opinion Polling – Survey Monkey, Facebook, Project Web Site
- Does the Public Support Redevelopment?
- What Kind? At What Cost?
- For-Profit or Non-Profit? (Taxable Use v. Non-Taxable)



Reconsider Traditional Development Planning



Reconsider Traditional Development Planning

- Business Plan v. Development Plan
- ***It's an Investor Offering***
- Test for a Range of Market Driven Uses
- Establish Physical Envelope, Not Detailed Design
- Clear Cost Requirements – Cost Estimate the Way Developers Do
- Test Performance with Complete Operating Pro Forma(s)

Seek Out Money Early

- Find Partners Early
- As Part of Business Plan Process
- Obtain Commitments/Letter of Interest – Public & Private Sources



Resist Speculative Infrastructure Spending

4

- Build Infrastructure Side-By-Side With Development — Lowers Risk, Saves Cost
- Pay the Developer to Build Infrastructure as Part of Project?
- What's up With Parking Garages?



Remove Regulatory Uncertainty

5

- Streamline Administrative Barriers to Redevelopment — Save Developers Pre-Construction Time
- Draft New Site Zoning in Advance
- Adopt Streamlined Review Process

Show Them the Money

6

Clearly Define Public Financial Participation

- Build Financing
- Incentives
- Introduce Interested Finance Partners

Prior to Marketing Property for Redevelopment

Show Them the Money

6

CRA's That Succeed Will Focus On:

- 1. Leverage, Leverage, Leverage**
- 2. Completing the Capital Stack — CRA Resources, or Others**
- 3. Developing Ready Basket of Credit Enhancement Tools**

Show Them the Money

6

The Most Important Capital Stack Tools Will Be:

1. **Not** Grants
2. Land — As Equity, or Phased Purchase
3. Mezzanine Financing
4. Pure Credit Enhancement
5. Interest-Rate Write Down
6. Equity Participation — Preferred Equity with an Early Exit?
7. Loan Guarantees
8. Master Leasing
9. New Markets Tax Credits

Finally, the Offering

- Steps 1-6 = Strong Investor/Developer Offering
- Don't Blow it with Weak Marketing, Weak Solicitation
- Target Your Solicitation:
 - Specific Developers*
 - Specific Investors*
 - Specific Tenants*



If You Write It, Will They Come?

Making a Love Connection with Redevelopment RFP's



What To Know Before Issuing an RFP

- The Realities of Your Market Area
- The Economics of the Development You Desire to Attract
- A Working Knowledge of the Current Finance Market

Issuing An RFP Without This Knowledge Will Result in Little or No Responses or Non-Qualified Responses!

Don't Waste Your Staff and Board's Time!



Single-Family Subdivision In Low-Income Community



Challenges

- No Comps
- Cost to Build in Excess of As-Built Appraisal
- Lack of Qualified Buyers
- No Profit for Average Developer

4.5 Acres – CRA Owned

What the CRA Did to Overcome Barriers to Redevelopment

- Used NSP Funds for Site Development
- Re-platted Site for 21 SF Lots
- Worked with City to Set Aside Down Payment Assistance
- CRA Sought Out A Non-Profit Developer
- Developer Created a Land Trust
- 4 Homes Under Construction
- First Major Construction in Community in 30 Years

Restaurant/Historic Bldg.



Challenges

- Wrong Location
- Residential Use
- Unproven Market

What the CRA Did to Overcome Barriers to Redevelopment

- Moved the Structure
- Renovated the Exterior
- Matched Funds for Interior for Qualified Restaurant Tenant
- Offset Rent for First Year

Outcomes

- Active Restaurant on Main Street
- Property On Tax Rolls
- Historic Structure Saved



The Little House

Job Creation/Redevelopment of 9.2 Acre Blighted Shopping Centre



Outcomes

- Adult Club Gone
- 150 Jobs Created
- 9.2 Acres Redeveloped on US 1
- Much Needed Full Service Store Created



Green Building



- Boynton Beach First City in Florida to Adopt Green Building Code
- Developer Wanted to Build Green Project
- Costs Exceed As-Built Appraisal

How the Obstacles Were Overcome

- CRA to Provide Funding to Offset a Portion of Green Element Cost as Verified by Third Party
- Developer to Provide Proof on Annual Basis that Project is Performing as Designed



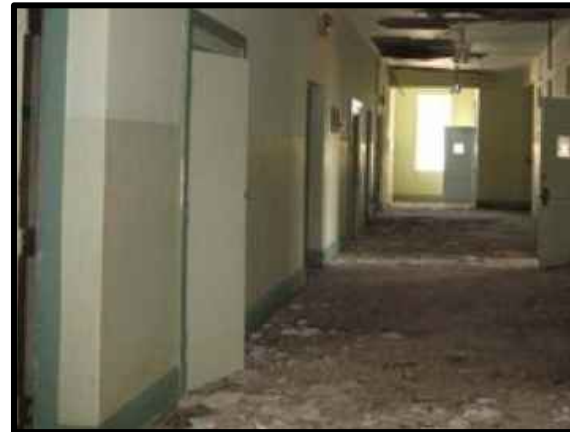
Outcomes

- 22 Acres of Blighted US 1 Corridor Redeveloped
- Built to Gold National Green Building Standard
- Largest Project of its Kind in the US
- CRA/City Recipient of the Florida Sustainability Award for the Project

Boynton Beach Historic High School



Boynton Beach Historic High School



Boynton Beach Historic High School

- Offered to Complete Investor Offering
- 90 Day Process
- End Process if no Demonstration of Public Support

Quantified Public Opinion

12. Please rank from 1 to 3 the top three (3) issues facing the neighborhood surrounding the Historic High School with 1 being the most important to 3 being the least important.

	1st	2nd	3rd	Rating Average	Response Count
Jobs/economy	42.2% (27)	42.2% (27)	15.6% (10)	1.73	64
Taxes - lowering taxes	5.6% (1)	55.6% (10)	38.9% (7)	2.33	18
Housing market/protecting, improving home values	41.0% (25)	34.4% (21)	24.6% (15)	1.84	61
Crime and safety	53.9% (41)	25.0% (19)	21.1% (16)	1.67	76
K-12 educational quality	26.9% (7)	46.2% (12)	26.9% (7)	2.00	26
Quality of public services	34.8% (8)	26.1% (6)	39.1% (9)	2.04	23
Quality of public facilities - libraries, parks, etc.	16.3% (7)	30.2% (13)	53.5% (23)	2.37	43
More local cultural activities	45.2% (19)	21.4% (9)	33.3% (14)	1.88	42
More activities for youth	14.3% (3)	33.3% (7)	52.4% (11)	2.38	21
Parks, green space and the environment	7.1% (2)	35.7% (10)	57.1% (16)	2.50	28
			Other (please specify)		7
			answered question		140

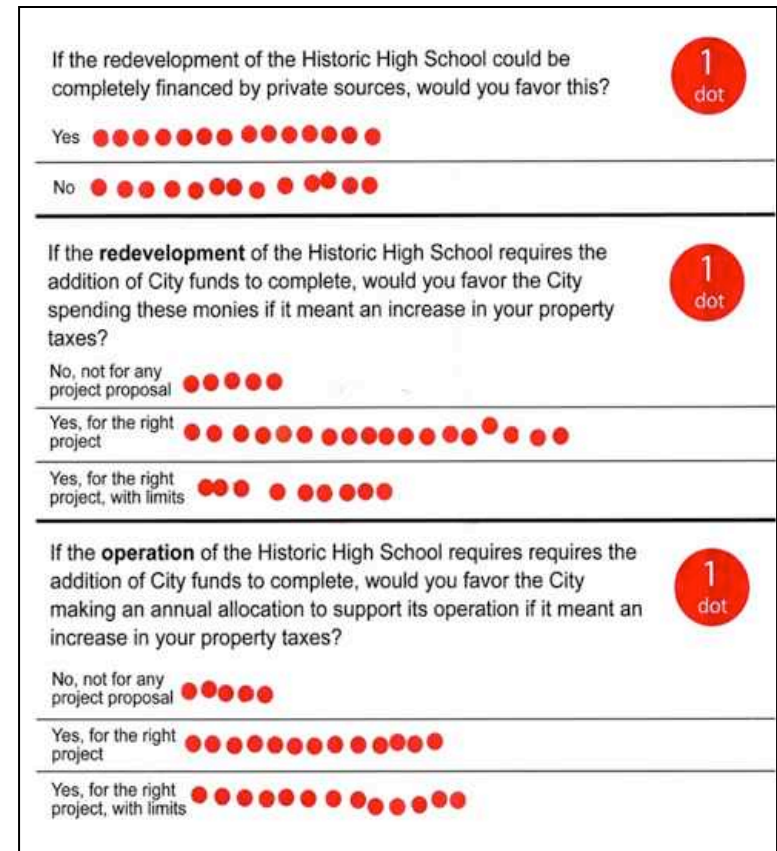
Quantified Public Opinion

15 of 35

13. In general, do you support rehabilitation of the Historic High School?			
		Response Percent	Response Count
No, not under any circumstance		16.8%	24
Yes, for the right project and right cost		49.0%	70
Yes, under any circumstances		34.3%	49
answered question			143
skipped question			29

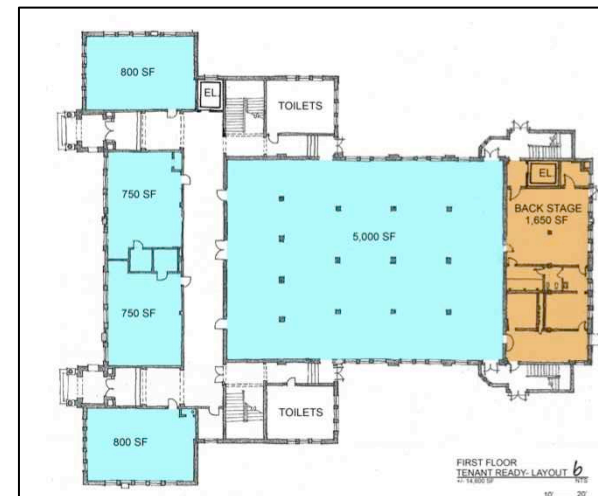
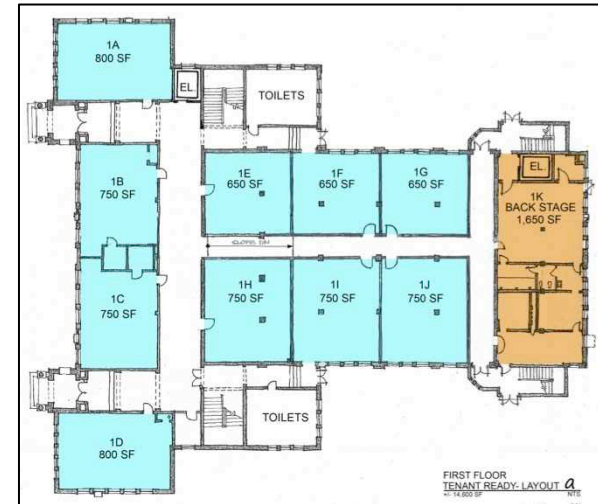
14. In general, do you favor <i>uses</i> within and at the Historic High School that are purely private, purely public or a mix of private and public?			
		Response Percent	Response Count
Purely private uses		12.4%	17
Purely public uses		14.6%	20
A mix of public and private uses		73.0%	100
answered question			137
skipped question			35

Quantified Public Opinion



Established Detailed Construction Budget

- Remediation Cost
- Stabilization Cost
- Occupancy Cost
- Focus on Core & Shell



Brought Money to the Table Early

- TD Bank – NMTC, Hist Pres., Tax Equity, Debt
- 2 National Investment Banks – NMTC, Hist Pres., Tax Equity, Debt
- 3 Potential Developer / Operators
- 2 Potential Tenants (Lease Interest)
- Secured Conditional Letters of Intent

Market Driven Re-Use Forecast

- Narrowed Band of Most Likely Uses
- Narrowed Band of Most Economical Uses

Detailed Operating Pro Forma

CONCEPTUAL PRO FORMA Base Case Model

Building Program	Base Rent				Reimbursements			Total Income	Gross Annual Rent (\$ PSF)
	SF	\$ PSF	\$ / Month	\$ Year	Utilities & CAM	Tax	INS		
First Floor									
1A	800	10.00	667	8,000	2,200	5,569	400	16,169	20.21
1B	750	10.00	625	7,500	2,063	5,221	375	15,158	20.21
1C	750	10.00	625	7,500	2,063	5,221	375	15,158	20.21
1D	800	10.00	667	8,000	2,200	5,569	400	16,169	20.21
1E	650	10.00	542	6,500	1,788	4,525	325	13,137	20.21
1F	650	10.00	542	6,500	1,788	4,525	325	13,137	20.21
1G	650	10.00	542	6,500	1,788	4,525	325	13,137	20.21
1H	750	10.00	625	7,500	2,063	5,221	375	15,158	20.21
1I	750	10.00	625	7,500	2,063	5,221	375	15,158	20.21
1J	750	10.00	625	7,500	2,063	5,221	375	15,158	20.21
1K	1,650	12.00	1,650	19,800	4,538	11,485	825	36,648	22.21
Second Floor									
2A	800	10.00	667	8,000	2,200	5,569	400	16,169	20.21
2B	964	10.00	820	9,840	2,706	6,849	492	19,887	20.21
2C	964	10.00	820	9,840	2,706	6,849	492	19,887	20.21
2D	800	10.00	667	8,000	2,200	5,569	400	16,169	20.21
Gymnasium	6,660	12.00	6,660	79,920	19,980	46,359	3,330	149,589	22.46
Grounds									
Event Rentals		n.a.	6,500	78,000	-	-	-	78,000	
TOTALS	19,178		23,867	286,400	54,405	133,494	9,589	483,887	

Pro Forma

Project Costs	5,943,627						
Developer Equity	1,783,088						
Debt	4,160,539						
Income							
Base Rental Income	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6	YR 7
	286,400	286,400	292,128	297,971	303,930	310,009	316,209
Reimbursement Income	197,487	197,487	197,487	197,487	197,487	197,487	197,487
CAM Admin Fee	15,799	15,799	15,799	15,799	15,799	15,799	15,799
Less: Vacancy Factor	(14,320)	(14,320)	(14,606)	(14,899)	(15,196)	(15,500)	(15,810)
Effective Gross Revenue	485,366	485,366	496,808	496,358	502,020	507,794	513,685
Expenses							
CAM / Taxes / Insurance	197,487	197,487	197,487	197,487	197,487	197,487	197,487
Mgmt Fees	19,415	19,415	19,632	19,854	20,081	20,312	20,547
Misc. Admin Exp.	7,280	7,280	7,362	7,445	7,530	7,617	7,705
Structural Reserve	14,581	14,581	14,724	14,891	15,061	15,234	15,411
Total Operating Expenses	238,744	238,744	239,206	239,678	240,159	240,650	241,151
NET OPERATING INCOME	246,623	246,623	251,602	256,681	261,861	267,145	272,534
Debt Service	302,259	302,259	302,259	302,259	302,259	302,259	302,259
NET CASH FLOW	(55,636)	(55,636)	(50,657)	(45,578)	(40,398)	(35,114)	(29,725)

CONCEPTUAL PRO FORMA Enhanced Project Financing

Building Program	Base Rent				Reimbursements			Total Income	Gross Annual Rent (\$ PSF)
	SF	\$ PSF	\$ / Month	\$ Year	Utilities & CAM	Tax	INS		
First Floor									
1A	800	11.00	733	8,800	2,200	1,767	400	13,167	16.46
1B	750	11.00	688	8,250	2,063	1,656	375	12,344	16.46
1C	750	11.00	688	8,250	2,063	1,656	375	12,344	16.46
1D	800	11.00	733	8,800	2,200	1,767	400	13,167	16.46
1E	650	11.00	596	7,150	1,788	1,435	325	10,698	16.46
1F	650	11.00	596	7,150	1,788	1,435	325	10,698	16.46
1G	650	11.00	596	7,150	1,788	1,435	325	10,698	16.46
1H	750	11.00	688	8,250	2,063	1,656	375	12,344	16.46
1I	750	11.00	688	8,250	2,063	1,656	375	12,344	16.46
1J	750	11.00	688	8,250	2,063	1,656	375	12,344	16.46
1K	1,650	13.00	1,788	21,450	4,538	3,644	825	30,456	18.46
Second Floor									
2A	800	11.00	733	8,800	2,200	1,767	400	13,167	16.46
2B	964	11.00	902	10,824	2,706	2,173	492	16,195	16.46
2C	964	11.00	902	10,824	2,706	2,173	492	16,195	16.46
2D	800	11.00	733	8,800	2,200	1,767	400	13,167	16.46
Gymnasium	6,660	13.00	7,215	86,580	16,650	14,707	3,330	121,267	18.21
Grounds									
Event Rentals		n.a.	6,500	78,000	-	-	-	78,000	
TOTALS	19,178		25,465	305,578	51,075	42,349	9,589	408,590	

Pro Forma

Project Costs	5,193,627						
Developer Equity	1,298,407						
Debt	3,695,220						
Income							
Base Rental Income	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6	YR 7
	305,578	305,578	311,690	317,923	324,262	330,767	337,383
Reimbursement Income	103,012	103,012	103,012	103,012	103,012	103,012	103,012
CAM Admin Fee	8,241	8,241	8,241	8,241	8,241	8,241	8,241
Less: Vacancy Factor	(15,279)	(15,279)	(15,584)	(15,896)	(16,214)	(16,538)	(16,869)
Effective Gross Revenue	401,552	401,552	407,358	413,281	419,321	425,482	431,767
Expenses							
CAM / Taxes / Insurance	103,012	103,012	103,012	103,012	103,012	103,012	103,012
Mgmt Fees	16,062	16,062	16,294	16,531	16,773	17,019	17,271
Misc. Admin Exp.	6,023	6,023	6,110	6,199	6,290	6,382	6,477
Structural Reserve	12,047	12,047	12,221	12,398	12,580	12,764	12,953
Total Operating Expenses	137,144	137,144	137,638	138,141	138,655	139,178	139,713
NET OPERATING INCOME	264,408	264,408	269,721	275,139	280,666	286,304	292,054
Debt Service	194,761	194,761	194,761	194,761	194,761	194,761	194,761
NET CASH FLOW	69,647	69,647	74,960	80,378	85,905	91,543	97,293



City Tee-Up

- Finalized New More Flexible Zoning
- Relaxed Fees
- Established Development Team and Review Process
- Established Financial / Capital Participation

Historic High School Status Update





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