

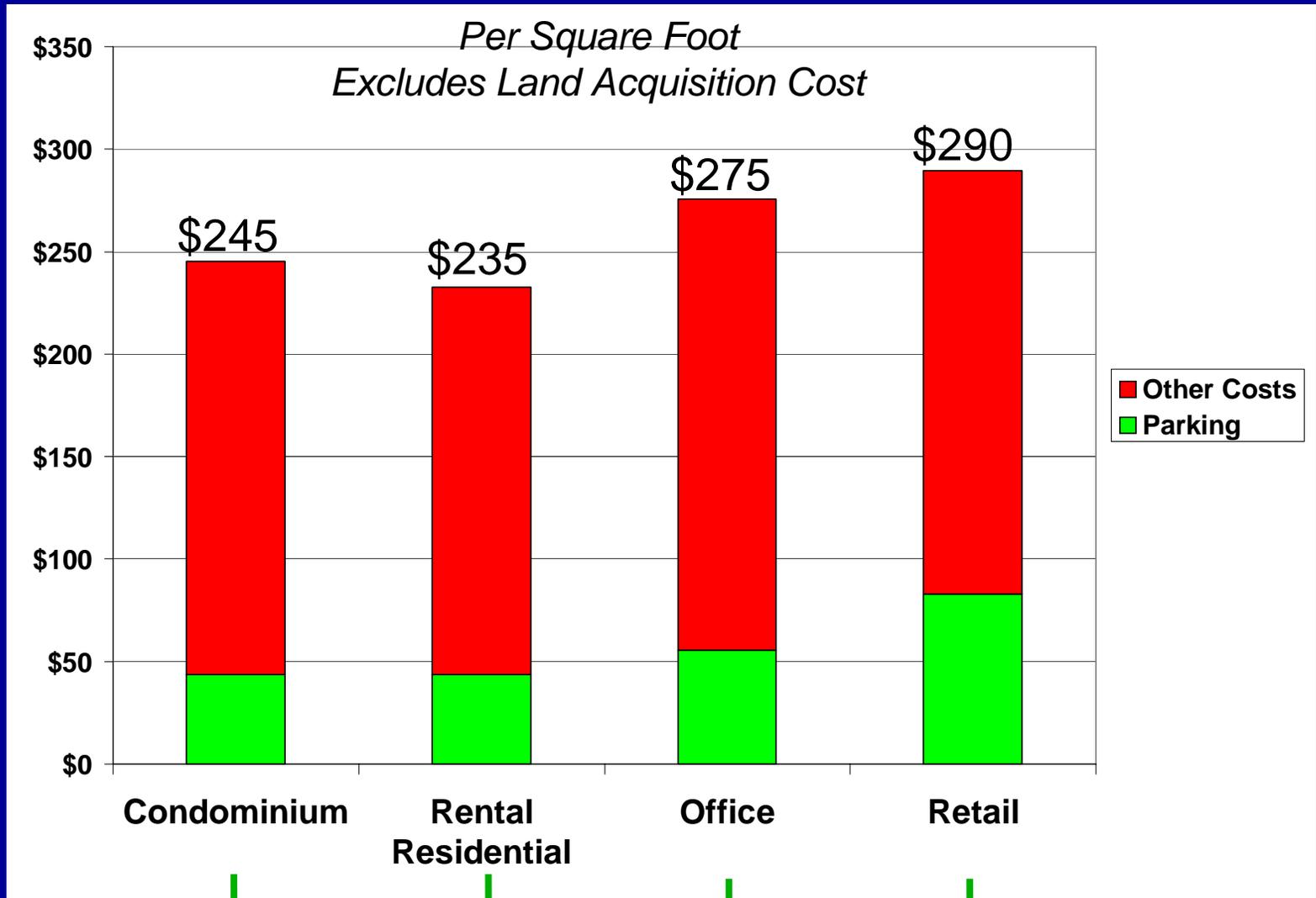
Development Economics: Proffer Implications

Landmark/Van Dorn Planning Area

To invest in a location developers must obtain enough income to pay their costs and make a profit – adequate investment return

When there is more than an adequate investment return there is capital available to fund community-wide goals

Development Costs



Condominium

Rental
Residential

Office

Retail

1.5 spaces / 950 sf

2 spaces
/ 1,000 sf

3 spaces
/ 1,000 sf

Adequate Investment Return

Commercial

Net Operating Income = **8%** of Development Cost

Apartments

Net Operating Income = **7%** of Development Cost

Condominiums

Sale Proceeds = **120%** of Development Cost

“Near Term Market” Redevelopment Scenario

Rental Rates

- No Condominiums
- Moderately Priced Apartments – \$28 /sf
- Office Class B+ Rents - \$33 /sf
- Neighborhood Serving Retail - \$27 /sf

Near Term Market Implications

	Price/Rent /Square Foot			
	Condo	Apartment	Office	Retail
Req. Rate	\$350	\$26	\$33	\$25
Near Term Market	None	\$28	\$33	\$25
Pay For Land @ \$3M /Acre	na	Not Enough	Not Enough	Not Enough
Community Benefit \$?	na	No	No	No, Yet Amenity

“Choice Location” Redevelopment Scenario

Prices & Rental Rates

- Moderately Priced Condominiums - \$420 /sf
- Higher Priced Apartments w/ Pkg Fee - \$31 /sf
- Office Class A Rents - \$37 /sf
- Destination Retail - \$30 /sf

“Choice Location” Implications

	Price/Rent /Square Foot			
	Condo	Apartment	Office	Retail
Req. Rate	\$346	\$26	\$31	\$25
Near Term Market	\$420	\$31	\$37	\$30
Pay For Land @ \$3M /Acre	Yes	Yes	Yes	Not Enough
Community Benefit \$?	Yes, Significant	Minimal	Yes, Significant	No, Yet Amenity

“Choice Location & BRT” Scenario

Pkg requirements drop to:

Residential - 1.0 space /unit

Office - 1.66 spaces /1,000 sq ft

Retail – 2 spaces/1,000 sq ft

“Choice & BRT” Implications

	Price/Rent /Square Foot			
	Condo	Apartment	Office	Retail
Req. Rate	\$324	\$24	\$31	\$22
Near Term Market	\$420	\$31	\$37	\$30
Pay For Land @ \$3M /Acre	Yes	Yes	Yes	Yes
Community Benefit \$?	Yes, Significant	Yes, Significant	Yes, Significant	No, Yet Amenity

Key Considerations

- Proffer amount by land use?

Near Term Proffer Implications

	Price/Rent /Square Foot		
	Condo	Apartment	Commercial
Req. Rate	\$350	\$26	\$33
Phase I Market Rents	None	\$28	\$33
Proffer / SF	\$0	\$0	\$0

“Choice Location” Proffer

Implications

	Price/Rent /Square Foot		
	Condo	Apartment	Commercial
Req. Rate	\$350	\$26	\$33
Phase I Market Rents	\$420	\$31	\$37
Proffer / SF	\$3.80	\$0	\$2.40

“Choice Location Plus BRT”

	Price/Rent /Square Foot		
	Condo	Apartment	Commercial
Req. Rate	\$324	\$24	\$31
Phase I Market Rents	\$420	\$31	\$37
Proffer / SF	\$11	\$6.40	\$6.90

Conclusions

- Careful balance - economics of redevelopment and funding community amenities;
- Near term objective should be to attract quality investment;
- As market position improves capital will be available to fund community improvements –capture value over time