



Proforma Analysis

How to provide appropriate levels of
development incentives





Overview

- Why is a developer asking for assistance?
- Why would a local government consider providing assistance?
- Protecting local resources
 - ✓ Policy
 - ✓ Process
 - ✓ Proforma analysis
- Project Examples



Why is a developer asking for assistance?

- Don't ask? Don't get!
- Mind the gap!
 - ✓ Insufficient cash flow to:
 - Support the level of debt needed to complete project
 - Provide high enough investment returns to attract equity
- Why the gap?
 - ✓ Unproven market, low market rents, affordable rents
 - ✓ Extraordinary development costs



Why local governments provide assistance

- You REALLY want what the developer is proposing!
 - ✓ Financial barriers prevent private market from moving forward
- Cities participate to:

✓ Change the market	✓ Improve housing availability & choice
✓ Improve quality of life	✓ Create jobs
✓ Grow & diversify tax base	✓ Redevelop blighted & polluted areas
✓ Revitalize downtown area	



Protecting local resources

1. Establish an economic development/redevelopment plan
 - Unites staff & policymakers
 - Provides foundation for success
 - Ensures ability to answer when opportunity knocks
 - Sets priorities





Strategic planning outcomes





Protecting local resources

2. Adopt public financing policy to establish parameters for public involvement
 - More than statutory business subsidy policy
 - Other policies based on identified needs
 - ✓ Get buy-in from council/EDA/HRA
 - Set up escrow funded by developer
 - NOT a law/ordinance





Policy & vision create...





Key questions: public financing assistance

- Non-financial:
 - ✓ How does proposed project advance community's goals?
 - ✓ What other projects competing for funding (*and attention!*)?
- Financial:
 - ✓ Does project have financial gap?
 - If so, how big?
 - ✓ Does community have resources or desire to assist with some, all of gap?



Answers: financial questions

Proforma analysis

- Review developer's application & financial information
 - ✓ In-depth analysis
 - ✓ Determine gap (if any)
 - ✓ Maximize **private funding** sources
 - ✓ Minimize **public assistance** required to render project financially feasible?

Typical input ranges

Sources	Apartments	Commercial
Private	70% - 80%	70% - 80%
Equity	20% - 30%	20% - 30%
TIF	TBD	TBD
Uses	Apartments	Commercial
Acquisition	\$5,000 - \$20,000	\$2.40 - \$30+ Sq/Ft
Construction	\$175,000 - \$300,000/Unit	\$45 - \$350 Sq/Ft
Tenant Improvements	N/A	\$10 - \$70+ Sq/Ft
Developer Fee	3%	3% - 5%
Total Development Costs	\$200,000 - \$350,000/Unit	\$150 - \$350 Sq/Ft
Management/Operation	Apartments	Commercial
Management Fee	3% - 6%	N/A
Operating Expenses	\$3,000 - \$4,000	N/A
Income	Apartments	Commercial
Rent	\$1.75 - \$2.60	NNN \$4.50 - \$35
Return on Investment	Apartments	Commercial
Cash on Cost	6% - 7.5%	6.25% - 8%
Cash on Cash	8% - 10%	N/A



Return on cost - apartments

$$\frac{\text{Net Operating Income (NOI)}}{\text{Total Development Costs (TDC)}} = \frac{\$2,159,411}{\$36,000,000} = \boxed{6.00\%} \quad \underline{\text{Return on Capital}}$$

Current Targets:

Minneapolis = 6.00% - 6.25%

1st Tier Radius = 6.25% - 6.75%

Suburban = 6.50% - 7.50%



Gap financing – TIF, grants, soft funds

So...how much do they need?

NOI	\$2,159,411	=	\$30,848,729	<u>Net Total Development Cost</u>
Desired Return on Cost	7.00%			

TDC	\$36,000,000	=	\$5,151,271	<u>Gap Financing Needed</u>
Less: Net TDC	\$30,848,729			



Return on cash - apartments

$$\frac{\text{Cash Flow}}{\text{Equity}} = \frac{\$80,000}{\$1,000,000} = 8.00\% \quad \text{Return on Capital}$$

Current Targets:
8% - 10%



Gap financing – TIF, tax abatement

So...how much do they need?

<u>Equity</u>	\$1,000,000	=	\$100,000	<u>Net Total Development Cost</u>
Desired Return on Equity	10.00%			
<u>Desired Return on Equity</u>	\$100,000	=	\$20,000	<u>Annual Gap Financing Needed</u>
Less: Return on Equity	\$80,000			

	Stabilized Year									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Income	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Rental Income	2,808,811	2,864,987	2,922,287	2,980,732	3,040,347	3,101,154	3,163,177	3,226,441	3,291,000	3,356,900
Gross potential	2,808,811	2,864,987	2,922,287	2,980,732	3,040,347	3,101,154	3,163,177	3,226,441	3,291,000	3,356,900
Less: Vacancy	(196,617)	(200,549)	(146,114)	(149,037)	(152,017)	(155,058)	(158,159)	(161,322)	(164,550)	(167,840)
Total Rental Income	2,612,194	2,664,438	2,776,172	2,831,696	2,888,330	2,946,096	3,005,018	3,065,119	3,126,450	3,189,060
Other Income	984,518	1,002,230	1,020,297	1,058,936	1,078,136	1,097,721	1,117,697	1,138,073	1,158,450	1,178,827
Garage	952,272	971,317	990,744	1,010,559	1,030,770	1,051,385	1,072,413	1,093,861	1,115,710	1,137,970
Misc	36,509	36,509	36,509	36,509	36,509	36,509	36,509	36,509	36,509	36,509
Storage	28,800	28,800	28,800	28,800	28,800	28,800	28,800	28,800	28,800	28,800
Internet	33,596	33,596	33,596	33,596	33,596	33,596	33,596	33,596	33,596	33,596
Less: Vacancy	(66,659)	(67,992)	(69,352)	(50,528)	(51,538)	(52,569)	(53,621)	(54,693)	(55,785)	(56,897)
Total Other Income	984,518	1,002,230	1,020,297	1,058,936	1,078,136	1,097,721	1,117,697	1,138,073	1,158,450	1,178,827
Effective Gross income	3,596,712	3,666,668	3,796,469	3,890,632	3,966,466	4,043,817	4,122,716	4,203,192	4,284,900	4,367,887
Expenses	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Operating Expenses	2,277,235	2,333,168	2,403,163	2,475,258	2,549,515	2,626,001	2,704,781	2,785,924	2,869,450	2,955,300
Management Fees	205,443	211,606	217,954	224,493	231,228	238,165	245,310	252,669	260,240	268,040
Property Taxes (2% Inflation)	205,449	209,558	213,749	218,024	222,385	226,832	231,369	235,996	240,700	245,480
Reserves	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
TOTAL EXPENSES	2,705,627	2,771,832	2,852,366	2,935,275	3,020,628	3,108,498	3,198,959	3,292,090	3,387,967	3,486,674
NET OPERATING INCOME	891,085	894,836	944,103	955,357	945,838	935,319	923,756	911,102	897,310	882,331
TIF PAYMENTS (0% inflation)	161,458	164,687	167,961	171,341	174,768	178,263	181,828	185,465	189,174	192,950
ADJUSTED NET OPERATING INCOME	1,052,543	1,059,523	1,112,084	1,126,697	1,120,606	1,113,582	1,105,584	1,096,567	1,086,484	866,113
Debt Service - Series A	628,763	628,763	628,763	628,763	628,763	628,763	628,763	628,763	628,763	628,763
Debt Service - Series B	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650	125,650
CASH FLOW AFTER FINANCING	298,130	305,111	357,671	372,285	366,193	359,170	351,171	342,154	332,071	237,350
NET CASH TO DEVELOPER	298,130	305,111	357,671	372,285	366,193	359,170	351,171	342,154	332,071	237,350
RETURN ON INVS.-ANNUAL (WITH TIF)	14.56%	14.56%	17.46%	18.18%	17.88%	17.54%	17.15%	16.71%	16.21%	11.59%
RETURN ON INVS.-ANNUAL (WITHOUT TIF)	6.67%	6.86%	9.26%	9.81%	9.35%	8.83%	8.27%	7.65%	6.98%	11.59%
RETURN ON INVS.-AVERAGE (WITH TIF)	6.18%	6.36%	10.18%	11.51%	12.42%	13.06%	13.52%	13.83%	14.05%	13.99%
CASH ON COST (WITH TIF)	8.16%	8.22%	8.62%	8.74%	8.69%	8.64%	8.57%	8.50%	8.42%	6.72%
CASH ON COST (WITHOUT TIF)	6.91%	6.94%	7.32%	7.41%	7.33%	7.25%	7.16%	7.06%	6.96%	6.84%
ANNUAL DEBT COVERAGE	139.52%	140.44%	147.41%	149.35%	148.54%	147.61%	146.55%	145.35%	144.02%	137.75%

Income				
	Monthly Rent	Units	Annual Revenue	Rent/Sq/Ft
Studio - Memory Care Af	\$877	4	\$42,096	\$2.40
Studio - Memory Care	\$4,200	11	\$554,400	\$9.88
Studio - Memory Care	\$4,200	6	\$302,400	\$9.33
1 bedroom - Affordable	\$877	10	\$105,240	\$1.45
Assisted Living	\$3,950	34	\$1,611,600	\$6.55
Independent Living	\$2,300	5	\$138,000	\$2.56
Total Rental Income	229,478	70	\$2,753,736	\$5.76
Other				
Service Package			\$933,600	
Storage			\$36,509	
Other			\$28,800	
Misc			\$33,596	
Total Other Income			\$1,032,505	
Gross Revenue			\$3,786,241	
Vacancy Loss - Units		7%	(\$238,113.52)	
Effective Gross Income			\$3,548,127	
Expense				
Operating Costs	Total		Per Unit	
Administrative	\$294,175		\$4,203	
Marketing	\$69,956		\$999	
Activities	\$104,038		\$1,486	
Assisted Living	\$986,525		\$14,093	
Dietary	\$427,500		\$6,107	
Housekeeping	\$68,163		\$974	
Laundry	\$1,336		\$19	
Security	\$596		\$8	
Insurance	\$49,431		\$692	
Total Maintenance	\$330,050		\$4,715	
Total Operating	\$2,331,172		\$33,302	
Management and Other Costs				
Management Fees	\$179,836	5.10% of EGI	\$2,569	
Property Taxes	\$201,421		\$2,877	
Reserves	\$17,500		\$250	
Total Expenses	\$2,729,929		\$38,998.98	
Net Operating Income	\$798,199		\$11,300	

Return on Cost (NOI/TDC)

Debt Service Coverage

Annual TIF

Return on equity



Case Studies

CORPORATE OFFICE/MANUFACTURING R&D/WAREHOUSE



Colder Products – Roseville, MN

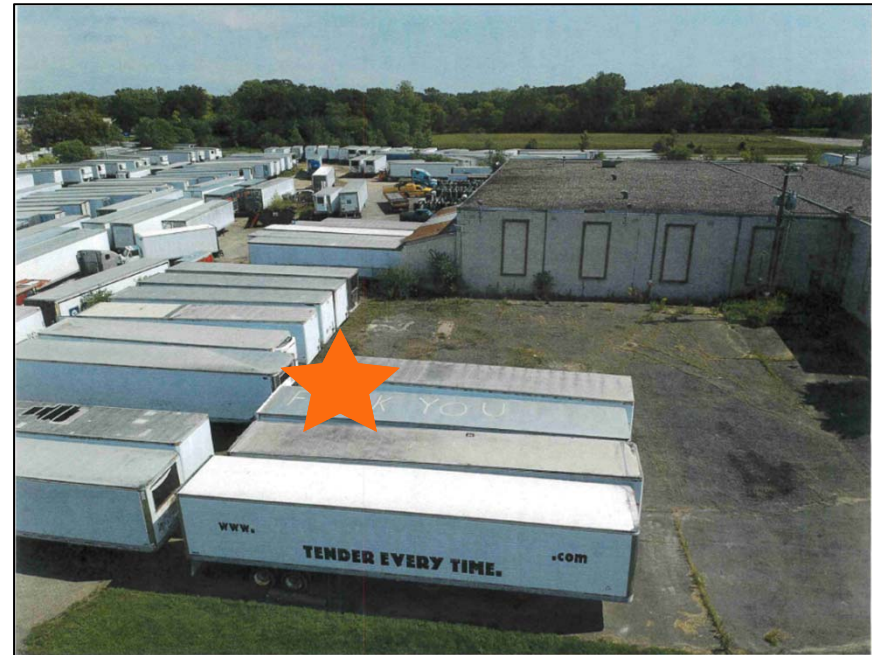
- 10.28 acre site
- Approx. 131,000 sf in 2 phases
- \$30 million project cost (\$229/sf)
- Developer: Colder Products





Project challenges

- Existing property owner
- Land cost (\$13/sf)
- Poor & contaminated soils
 - ✓ Geotechnically poor to 20' depth
 - ✓ \$1.5 million removal cost (\$3.40/sf)
- Non-local corporate office (end-user)
- “Fear” of pollution liability





Project goals

- Change in ownership
- Remove trailers & existing building
- Clean-up site contamination
- Create jobs
 - ✓ Bring **142 new jobs** over **5 years**



Project analysis

SOURCES						
	TIF Request			Analysis		
	TIF Request	Pct.	Per Sq/Ft	Analysis	Pct.	Per Sq/Ft
First Mortgage	0	0%	0	0	0%	0
City TIF Note	3,653,460	14%	28	2,200,000	8%	17
Grants	1,250,000	5%	10	1,168,000	4%	9
Developer Equity	22,002,950	82%	168	23,538,410	87%	180
TOTAL SOURCES	26,906,410	100%	205	26,906,410	100%	205
USES						
	TIF Request			Analysis		
	TIF Request	Pct.	Per Sq/Ft	Analysis	Pct.	Per Sq/Ft
Acquisition Costs	5,856,000	22%	45	5,856,000	22%	45
Construction Costs	15,899,260	59%	121	15,899,260	59%	121
Environmental	1,506,000	6%	11	1,506,000	6%	11
Permits/Fees	500,000	2%	4	500,000	2%	4
Professional Services	1,434,000	5%	11	1,434,000	5%	11
Financing Costs	1,711,150	6%	13	1,711,150	6%	13
Developer Fee	0	0%	0	0	0%	0
TOTAL USES	26,906,410	100%	205	26,906,410	100%	205



Lookback

- Review public redevelopment costs & dollar for dollar reduction if **<\$2.2 million**
- Required filing of Minimum Assessment Agreement for approximately **\$15 million**



Project outcome

- Proforma analysis supported **\$2.2 million** in TIF assistance over **25 years**
- Construction underway





Case Studies

OFFICE/WAREHOUSE



Spec building – Burnsville, MN

- 5.7 acre site
- 181,000 sf spec building
 - ✓ Manufacturing, warehouse facility
- \$7.52 million total development cost (TDC)
 - ✓ \$93/sf
- Developer: John Allen





Project challenges

- Steep slopes impeded ability to build efficiently
- As is, site could only accommodate **41,000 sf** building
- Developer wanted **\$750,000** in TIF to offset costs for earthwork & retaining walls (up to 16' high)
- Assistance would allow construction of **81,000 sf** building



Project goals

- Promote construction of modern industrial facilities
 - ✓ City has several older buildings (lower clear heights, etc.)
- Maximize tax base growth
- Create more high-quality, well-paying jobs



Project analysis

SOURCES							
	TIF Request	Pct.	Per Sq. Ft	Analysis	Pct.	Per Unit	
First Mortgage	4,891,038	65%	60	4,891,038	65%	60	
City TIF Note	750,000	10%	9	247,000	3%	3	
Developer Equity	1,883,636	25%	23	2,386,636	32%	29	
TOTAL SOURCES	7,524,674	100%	93	7,524,674	100%	93	
USES							
	TIF Request	Pct.	Per Sq. Ft	Analysis	Pct.	Per Unit	
Acquisition Costs	954,356	13%	12	954,356	13%	12	
Construction Costs	5,143,318	68%	63	5,143,318	68%	63	
Extraordinary Site Costs	750,000	10%	9	750,000	10%	9	
Professional Services	402,000	5%	5	402,000	5%	5	
Financing Costs	275,000	4%	3	275,000	4%	3	
TOTAL USES	7,524,674	100%	93	7,524,674	100%	93	
INCOME							
Year 3 (stabilized) Return on Cost	6.95%			6.95%			



Future TIF agreement compliance

- Only reimbursed for costs incurred & necessary to create larger building pad (earthwork/retaining walls)
- Must create **20** new jobs paying at least **\$20/hour**
- Must lease only to economic development TIF district eligible users
 - ✓ Monitoring issue for spec building assistance



Project outcome

- TIF projections limited assistance to **\$247,000**
 - ✓ **9** years
- Proforma analysis revealed assistance wouldn't create excessive returns
- Developer agreed to proceed
 - ✓ Construction began in **2019**





Case Studies

MIXED INCOME APARTMENTS



The Elmwood – St. Louis Park, MN

- 1.02 acre site
- 70-unit market rate apartments
 - ✓ 20% affordable units at 50% of AMI
- Redevelopment of existing single-story commercial building
- \$15.7 million project cost
 - ✓ \$224,000/unit





Project challenges

- Requirement to provide **20%** affordable at **50%** AMI for **26 years**
- Less experienced developer & lack of market rents knowledge
- Developer wanted **\$1.8 million** in TIF (**16 years**)





Project goals

- Redevelopment to more robust use
- Mixed-income housing
 - ✓ Include some ground-floor retail



Project analysis







# of Units	Type	Rent Type	Rent	Difference	Monthly Income Difference
6	1-Bdrm	Market	\$1,339	(\$373)	(\$2,238)
		Affordable	\$966		
11	2-Bdrm	Market	\$1,916	(\$757)	(\$8,327)
		Affordable	\$1,159		

Monthly Income Difference	(\$10,565)
Annual Income Difference	(\$126,780)

Present Value (over 26 years)	(\$1,732,131)
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Project analysis

SOURCES						
	TIF Request	Pct.	Per Unit	Analysis	Pct.	Per Unit
First Mortgage	13,675,683	77%	195,367	11,871,879	76%	169,598
City TIF Note	1,800,000	 10%	25,714	950,000	 6%	13,571
Developer Equity	2,272,427	13%	32,463	2,867,293	18%	40,961
TOTAL SOURCES	17,748,110	100%	253,544	15,689,172	100%	224,131
USES						
	TIF Request			Analysis		
Acquisition Costs	1,000,000	6%	14,286	1,000,000	6%	14,286
Construction Costs	13,779,800	78%	196,854	11,931,322	76%	170,447
Permits/Fees	836,998	5%	11,957	329,850	2%	4,712
Professional Services	378,120	2%	5,402	697,452	4%	9,964
Financing Costs	906,938	5%	12,956	1,060,423	7%	15,149
Developer Fee	846,254	 5%	12,089	670,125	 4%	9,573
TOTAL USES	17,748,110	100%	253,544	15,689,172	100%	224,131
INCOME						
	TIF Request			Analysis		
Annual Income	1,631,563			1,518,436		
Annual TIF Income	181,711			181,711		
Annual Expenses	(683,591)			(561,475)		
NET OPERATING INCOME	1,129,683			1,138,672		
Annual Debt Service	 (982,814)			 (940,316)		
CASH FLOW	146,869			198,356		
Annual Return on Cash - 8% Target	6.46%			6.92%		



Lookback

- Dollar for dollar reduction on **\$950,000** in qualified costs
- **50%** reduction on all other development costs



Project outcome

- \$950,000
PAYGO TIF
note paid over 8
years
- Construction
underway





Paravel – Eden Prairie, MN

- 4.96 acre site
- 246-unit market rate apartments
 - ✓ 20% affordable units at 50% of AMI
- Redevelopment of existing multi-family
- \$85 million project cost
 - ✓ \$224,000/unit
- Developer: Timberland





Project challenges

- Top-tier luxury product
 - ✓ high construction costs, high rents
- City wanted to include affordable housing
- Implementation of inclusionary housing policy
- Need to create balance between:
 - ✓ Affordability requirements
 - ✓ Developer interests
 - ✓ Available resources



Project goals

- Maximize affordability (as much as possible)
- Abide by inclusionary housing policy
- Only provide assistance necessary to deliver affordability



Project analysis



# of Units	Type	Rent Type	Rent	Difference	Monthly Income Difference
16	Studio	Market	\$1,424	(\$549)	(\$7,137)
13		Affordable	\$875		
58	1-Bdrm	Market	\$1,862	(\$925)	(\$24,968)
27		Affordable	\$937		
40	1-Bdrm + Den	Market	\$2,162	\$0	\$0
0		Affordable	\$2,162		
49	2-Bdrm	Market	\$2,824	(\$1,699)	(\$16,991)
10		Affordable	\$1,125		
33	2-Bdrm + Den	Market	\$3,620	\$0	\$0
0		Affordable	\$3,620		

Monthly Income Difference	(\$49,096)
Annual Income Difference	(\$589,152)

Present Value (over 26 years)	(\$8,952,098)
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Project analysis

SOURCES					
	TIF Request		Analysis		Per Unit
		Per Unit		Pct.	
First Mortgage	0	0	60,753,077	72%	246,964
City TIF Note	0	0	7,976,923	 9%	32,427
Developer Equity	0	0	15,342,849	18%	62,369
TOTAL SOURCES	0	0	84,072,849	100%	341,760
USES					
	TIF Request		Analysis		
Acquisition Costs	0	0	3,500,000	4%	14,228
Construction Costs	0	0	68,535,685	81%	278,600
Professional Services	0	0	2,921,000	3%	11,874
Financing Costs	0	0	6,032,348	7%	24,522
Cash Accounts	0	0	701,206	1%	2,850
Developer Fee	0	0	3,267,610	 4%	13,283
TOTAL USES	0	0	84,957,849	100%	345,357
INCOME					
Year 3 (stabilized) Cash on Cash			0.00%	6.60%	



Project structure

- Developer wanted TIF over entire 26 years
 - ✓ Proforma revealed this would lead to excessive returns
- Structured reducing annual TIF payments to meet both City & developer needs
- Pooled TIF for future affordable initiatives

TIF Payment Year	Developer Payment Percentage	Admin. / Pooling to City
1 thru 7	97%	\$150,095
8 thru 9	80%	\$297,320
10 thru 11	60%	\$594,640
11 thru 26	50%	\$5,575,000



Project outcome

- **\$7.98 million** PAYGO TIF note paid over **26 years**
- Declining % of TIF to project over time
- Construction begins in **2020**





Case Studies

MARKET RATE APARTMENTS



Reuter Walton – Roseville, MN

- 4.84 acre site
- Development – truck terminal
- 117-unit market rate rental housing
- 40,000 sf medical office
- \$32.2 million project cost
 - ✓ \$254,000/unit





Project challenges

- No market rate housing developer in many years
- Need to prove market of at least **\$2/sf** rents
- Site & soil contamination costs approximately **\$750,000**





Project goals

- Remove trailers
- Clean up site contamination
- Create market rate rental housing
- Connect property to local trails



Project analysis

SOURCES								
	TIF Request		Pct.	Per Unit	Analysis	Pct.	Per Unit	
First Mortgage	18,081,976		63%	142,378	20,099,508		62%	158,264
City TIF Note	3,500,000		12%	27,559	2,500,000		8%	19,685
Grants	0		0%	0	550,000		2%	4,331
Developer Equity	7,200,000		25%	56,693	9,135,503		28%	71,933
TOTAL SOURCES	28,781,976		100%	226,630	32,285,011		100%	254,213
USES								
	TIF Request		Pct.	Per Unit	Analysis	Pct.	Per Unit	
Acquisition Costs	1,725,000		6%	13,583	1,980,000		6%	15,591
Construction Costs	21,746,643		76%	171,233	24,368,800		75%	191,880
Environmental	200,000		1%	1,575	650,000		2%	5,118
Permits/Fees	507,084		2%	3,993	1,056,136		3%	8,316
Professional Services	1,713,100		6%	13,489	1,380,000		4%	10,866
Financing Costs	1,010,981		4%	7,960	1,610,026		5%	12,677
Cash Accounts	250,000		1%	1,969	300,000		1%	2,362
Developer Fee	1,629,168		6%	12,828	940,049		3%	7,402
TOTAL USES	28,781,976		100%	226,630	32,285,011		100%	254,213
Total Return on Cost - 7% Target								
	5.91%				5.66%			



Lookback

- Stabilization
 - ✓ 50% sharing (reduction in TIF note) if cash-on-cost exceeds 7%
- Sale of property within 8 years
 - ✓ 50% sharing if average annual cash-on-cost exceeds 7%



Project outcome

- **\$2.5 million** PAYGO TIF note paid over **15 years**
- Higher, better land use
- Successful property clean-up
- New community housing option
- Construction begins in **2020**



Case Studies

SENIOR HOUSING



Timber Pines – Pine City, MN

- 6.22 acre site
- 103-unit senior housing facility
 - ✓ Continuum of care
- \$20 million project cost
 - ✓ \$202,000/unit
- Developer: Summit Development





Project challenges

- Need to provide affordable senior housing
- Developer wanted **\$3 million** in TIF over **20 years**
- Disagreement over assessed valuation potential
 - ✓ Assessor: **\$59,000**/unit (lack of comparable)
 - ✓ Developer: higher projection driving TIF request \$\$
 - ✓ Developer goal: TIF offset for **20 years**, regardless of value







Project goals

- Secure a **\$20** million investment in the City
- Provide a much-needed housing option in a City



Project analysis

SOURCES						
	TIF Request	Pct.	Per Unit	Analysis	Pct.	Per Unit
First Mortgage	15,000,000	75%	151,515	15,000,000	75%	151,515
City TIF Note	3,000,000	 15%	30,303	1,600,000	 8%	16,162
Developer Equity	2,005,000	10%	20,253	3,405,000	17%	34,394
TOTAL SOURCES	20,005,000	100%	202,071	20,005,000	100%	202,071
USES						
	TIF Request	Pct.	Per Unit	Analysis	Pct.	Per Unit
Acquisition Costs	250,000	1%	2,525	250,000	1%	2,525
Construction Costs	15,619,750	78%	157,775	15,619,750	78%	157,775
Professional Services	1,660,000	8%	16,768	1,660,000	8%	16,768
Financing Costs	525,000	3%	5,303	525,000	3%	5,303
Cash Accounts	950,000	5%	9,596	950,000	5%	9,596
Developer Fee	1,000,250	 5%	10,104	1,000,250	 5%	10,104
TOTAL USES	20,005,000	100%	202,071	20,005,000	100%	202,071
INCOME						
Average Return on Cash - Year 10						
	11.70%			9.40%		



Project outcome

- **\$1.6 million** PAYGO TIF note paid over **19 years**
 - ✓ **\$1.3 million** projected, but higher note to mitigate developer value concerns
- Ground-breaking in December **2019**
 - ✓ Opening planned in Spring **2021**





Trident – East Bethel, MN

- 6.79 acre site
- 70-unit assisted living facility
- Greenfield development
- \$13.65 million project cost
 - ✓ \$195,000/unit
- Developer: Trident





Project challenges

- Need to provide affordable assisted living housing
- The gap! – Trident identified **\$2 million** gap
- Developer wanted TIF for **26 years**
 - ✓ Amid concerns over developing in unproven market on fringe of Twin Cities Metro
- Utility connection fees = approximately **\$400,000**



Project goals

- Provide a much-needed housing option in a City where none is currently available



Project analysis

SOURCES						
	TIF Request			Analysis		
	TIF Request	Pct.	Per Unit	Analysis	Pct.	Per Unit
First Mortgage	9,325,000	63%	133,214	10,365,000	70%	148,071
City TIF Note	1,800,000	12%	25,714	810,000	5%	11,571
Developer Equity	3,775,000	25%	53,929	3,725,000	25%	53,214
TOTAL SOURCES	14,900,000	100%	212,857	14,900,000	100%	212,857
USES						
	TIF Request			Analysis		
	TIF Request	Pct.	Per Unit	Analysis	Pct.	Per Unit
Acquisition Costs	375,000	3%	5,357	375,000	3%	5,357
Construction Costs	10,426,477	70%	148,950	10,426,477	70%	148,950
Environmental	0	0%	0	0	0%	0
Permits/Fees	800,356	5%	11,434	800,356	5%	11,434
Professional Services	1,351,843	9%	19,312	1,351,843	9%	19,312
Financing Costs	601,324	4%	8,590	601,324	4%	8,590
Cash Accounts	600,000	4%	8,571	600,000	4%	8,571
Developer Fee	745,000	5%	10,643	745,000	5%	10,643
TOTAL USES	14,900,000	100%	212,857	14,900,000	100%	212,857
Annual Return on Cash - 10% Targ	6.10%			8.65%		



Project outcome

- **\$810,000**
PAYGO TIF note
paid over **8**
years
- Construction
underway





Final thoughts

- Developers want assistance, don't always need it
- Always complete proforma analysis to determine need
- Negotiation isn't for the faint of heart – rely on experts
 - ✓ They'll be the 'bad guys' & give you political cover
- Every project really is different
- Affordable housing always requires some assistance



Your presenters

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