

# Conceptual Financial Analysis Development Alternatives Parkview Avenue Site

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# KMA Role in the Process

- ▶ KMA gathered market data that served as the basis for the financial analysis of Parkview Avenue development opportunities for retail/restaurant, office and residential uses.
- ▶ PKF prepared the market evaluation that KMA used for the financial analysis of a hotel use.
- ▶ KMA prepared conceptual pro forma analyses to test the financial characteristics of three different development types.

# Summary of Market Findings

- ▶ Retail/restaurant uses are not viable, because the Site is not located on a major street, the Site configuration is not appropriate, and the replacement parking requirements could not be fulfilled.
- ▶ A moderate amount of demand exists for office space in this location.
- ▶ The apartment market exhibits strong fundamentals.

# KMA Conceptual Pro Forma Analyses

# Pro Forma Analysis Assumptions

- ▶ The pro forma analyses can only be used to provide order-of-magnitude estimates of supportable land values.
- ▶ KMA prepared conceptual pro forma analyses for the following uses:
  - Hotel Scenario: 150-room lifestyle hotel
  - Office Scenario: 160,000 square feet
  - Apartment Scenario: 150 units

# Key Assumptions

- ▶ KMA analyzed two pro forma scenarios for each development prototype:
  - The proposed land use prototype with no replacement parking requirement; and
  - The proposed land use prototype subject to the 234 space replacement parking requirement.
- ▶ No extraordinary infrastructure costs or exactions are assumed to be imposed by the City.

# Pro Forma Analyses Results

# Summary of Supportable Land Values

- ▶ Each development scenario generates a positive land value if the replacement parking requirements are not imposed.
- ▶ The inclusion of the replacement parking requirement results in the following:
  - The Hotel Scenario generates the highest supportable ground lease payment.
  - The Apartment Scenario generates a minimal ground lease payment.
  - The Office Scenario generates a negative land value, and is therefore deemed infeasible.



# Summary of City Revenues

- ▶ KMA estimated the annual City revenues generated by the development prototypes with the replacement parking requirement:

	Hotel Scenario	Office Scenario	Apartment Scenario
Ground Lease Payment	\$130,700	(\$177,500)	\$100,000
Property Tax Revenue	71,700	82,600	100,800
TOT Revenue	<u>963,600</u>	<u>-0-</u>	<u>-0-</u>
<b>Total City Revenues</b>	<b>\$1,166,000</b>	<b>(\$94,900)</b>	<b>\$200,800</b>

# Developer Selection Process

- ▶ KMA recommends using a two-phase selection process:
  - Issue a Request for Qualifications (RFQ) to qualified developers to identify development experience and financial capacity.
  - Issue a Request for Proposals (RFP) to no more than three development teams selected from the RFQ process. The RFP will require the identification of key team members, a proposed development plan, and financial parameters.
- ▶ KMA recommends issuing the RFQ/RFP for a single land use to maximize the chances for attracting high-quality teams to the process