

Financial Information Required for Analysis of Public Funding Needs for a Development Project

To properly consider potential public funding assistance for a proposed development, the City must make a determination that such assistance is reasonable, necessary and in the public's best interest in order to induce development. This determination requires that the City undertake a financial analysis of the proposed project in order to identify the nature and amount of any public assistance, and also help the City identify the potential of the project to generate tax revenues in amounts sufficient to pay for any assistance provided. The results of the analysis would be used by the municipality in its decision-making process regarding potential Developer assistance.

Provided below is an outline of the information requested by the City for financial incentive requests.

I. Description of Proposed Project

A. Description of property and proposed use

1. Property size (by acreage or square footage)
2. Property characteristics
3. Access and utility needs of property
4. Type of use(s) proposed for the property

B. Project Concept

1. Nature of project (i.e., retail, residential, mixed, etc.)
2. Size and description of project (by square footage or number of units)

II. Developer Estimate of Project Performances/Tax Revenues

A. Market Potential for Project

B. If Retail – Developer Estimate of Sales Potential

1. By retail type/use – gross sales for each
2. By sales per square foot for each use

C. If Residential Units for Sale (Single-Family Detached, Townhomes, Condos)

1. Gross building area or number of units
2. Total number of units
3. Average unit size in square feet

4. Average estimate sales price per unit
5. Number of parking/garage spaces if condominium (specify if above ground, underground, parking structure, etc.)
6. Estimated total hard costs per square foot or per unit
7. Estimated hard costs for parking per space (if condominium, and/or separate parking structures)
8. Sales absorption schedule
 - a) Units sold per month until 1st full year
 - b) Units sold per year through close out

III. Developer Pro Forma Outline

A. Cost of Development Estimates

1. Acquisition
2. Site preparation/demolition costs/environmental
3. Cost of construction (hard costs total and per square foot or per unit)
4. Fees/soft costs
 - a) Architect and engineering
 - b) Legal
 - c) Surveys
 - d) Permits and inspection
 - e) Leasing commissions
 - f) Construction management
 - g) Developer's fee
5. Construction financing interest
6. Contingencies
7. Total estimated project cost

B. Proposed Financing

1. Total cost of redevelopment
2. Private financing for project
 - a) Mortgage debt

b) Equity contributions

3. Amount of public assistance requested

C. Annual Cash Flow Analysis, if Retail (10 years)

1. Estimated gross annual revenue

a) Gross leasable building area

b) Net leasable area

c) Annual rent

d) Annual income (all sources)

e) Less: vacancy factor

f) Gross annual revenue

2. Net income before debt service, if retail

a) Gross annual revenue

b) Less: annual expenses

i. Management fees

ii. Maintenance

iii. Taxes

iv. Utilities

v. Insurance

vi. Other

c) Net income before debt service

3. Developer income from project

a) Net income before debt service

b) Less: annual debt service

c) Developer cash flow

d) Developer rate of return on investment

D. Sales/Profit Analysis, if Unit Sales

1. Revenue expected to be generated

a) Estimated gross sales (for each year through full absorption)

b) Any other sources of income from the project

- c) Total gross revenue
 - 2. Net income before debt service (retirement)
 - a) Total gross revenues (for each year through full absorption)
 - b) Less: annual expenses
 - i. Management fees
 - ii. Sales commissions
 - iii. Maintenance
 - iv. Taxes
 - v. Insurance
 - vi. Other
 - c) Net income before debt service (retirement)
 - 3. Developer profits from project
 - a) Net income before debt service (retirement)
 - b) Less: Annual debt service or finance take out
 - c) Developer profits (by year and show cumulative through full absorption)
 - d) Developer rate of return on investment

Sources & Uses Analysis

Sources:

Estimated Supportable Loan	\$ _____
Estimated Supportable Equity	\$ _____
Total Private Financing Sources	\$ _____

Uses:

Acquisition	\$ _____
Site Preparation	\$ _____
Construction Costs	\$ _____
Soft Costs	\$ _____
Contingencies	\$ _____
Total Project Uses	\$ _____
Surplus/Shortfall of Sources	\$ _____

- A. If private financing sources exceeds project uses, then no public subsidy is justified.
- B. If private financing sources are less than project uses, then demonstrated shortfall equals amount of public subsidy justified.
- C. If subsidy justified by this analysis, then the City may consider assistance to developers based on the project's ability to generate sufficient tax revenues to support subsidy plus any additional revenues as may be desired by the City for its use.