# CITY OF FLORENCE
## Housing & Economic Opportunities Project Committee (HEOP)

Florence Events Center – 715 Quince Street, Florence, OR 97439
541-997-8237
www.ci.florence.or.us

| October 10, 2017 | AGENDA | 10:00 a.m. |
|---|---|---|

- *Please turn off or silence all cell phones prior to start of meeting.*

**CALL TO ORDER ~ ROLL CALL**

1. **APPROVAL OF AGENDA**

2. **Public Comments:** *This is an opportunity for the members of the audience to bring to the HEOP's attention any item not otherwise listed on the agenda. Comments will be limited to a maximum time of 15 minutes for all items.*

3. **Project Schedule Update** *(Wendy / Kelli / Todd)*
   - Next Meeting Date – December 5th from 2-4pm

4. **Community Survey Results** *(Steve)*

5. **Buildable Land Inventory** *(Todd & Tim)*
   - Draft Findings

6. **Housing Needs Analysis Update** *(Todd)*
   - Draft Housing & Land Needs
   - Housing Opportunities Discussion

7. **Economic Opportunity Analysis Update** *(Todd)*
   - Draft Employment & Land Needs
   - Economic Opportunities Discussion

8. **Community & Housing Development Objectives** *(All)*

FCS GROUP
Solutions-Oriented Consulting

**Oregon Headquarters**
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Lake Oswego, OR 97035

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# Florence Economic Opportunity Analysis and Housing Needs Analysis

## HEOP Project Committee Meeting

Todd Chase, AICP, LEED
Steve Faust

October 10, 2017

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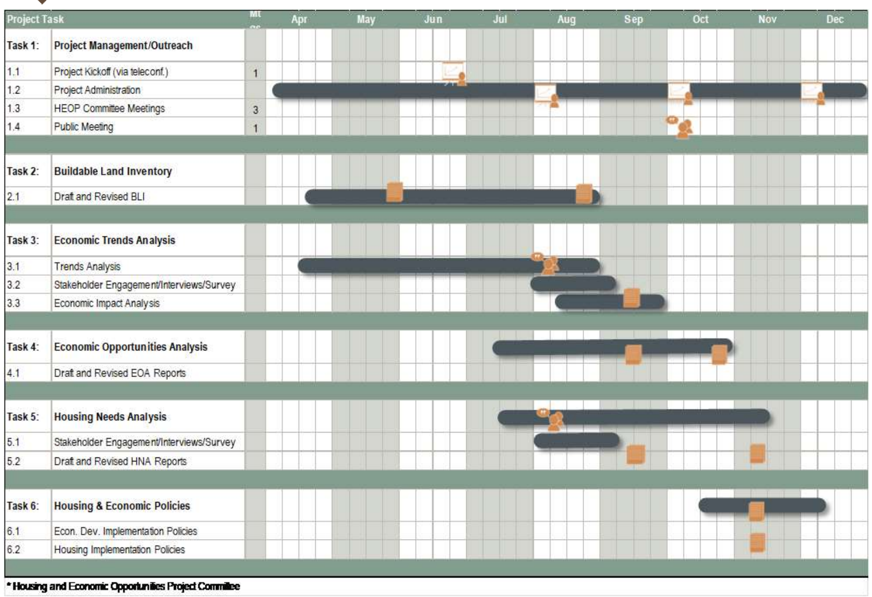
## Meeting Agenda

- Project Schedule and Next Steps
- Buildable Land Inventory Findings
- Economic Opportunity Findings
- Housing Needs Findings
- Economic Impact Analysis
- Community Survey Input

# Florence EOA and HNA Schedule




# Buildable Land Findings

- Florence must maintain Urban Growth Boundary that accommodates 20-years of growth and development
- State guidelines are followed to measure "buildable lands"
- Florence has 5 types of buildable lands with a total of 710.8 acres

| Summary of BLI in City of Florence, 2017 | | |
|---|---|---|
| **BLI Category** | **Acres** | **Dist.** |
| Vacant, Private | 370.2 | 52% |
| Vacant, Public | 101.8 | 14% |
| Part Vacant, Private | 14.5 | 2% |
| Part Vacant, Public | 74.0 | 10% |
| Redevelopable | 150.3 | 21% |
| **Total** | **710.8** | **100%** |
| Source: GIS analysis by Fregonese Associates; analysis by FCS GROUP. | | |

# Buildable Land Findings

- Only 9 private parcels: vacant over 10 acres with Res. Zoning
- Only 4 vacant parcels zoned for Employment or Mixed Use over 5 acres
- Infill and Redevelopment is now key

Buildable Land Inventory within City of Florence, 2017

| Residential Zones | Parcels | | | | | Acres | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Category | < 1 acre | 1 to 5 acres | 5 to 10 acres | > 10 acres | Subtotal Parcels | < 1 acre | 1 to 5 acres | 5 to 10 acres | > 10 acres | Subtotal Acres |
| Vacant, Private* | 436 | 8 | 3 | 9 | 456 | 74.3 | 11.0 | 18.3 | 161.9 | 265.6 |
| Vacant, Public/Semi Public* | 37 | 2 | 0 | 0 | 39 | 7.7 | 1.8 | 0.0 | 0.0 | 9.5 |
| Part Vacant, Private | 11 | 6 | 0 | 0 | 17 | 3.4 | 3.6 | 0.0 | 0.0 | 7.0 |
| Part Vacant, Public/Semi-Public | 0 | 1 | 1 | 1 | 3 | 0.0 | 2.8 | 6.0 | 11.3 | 20.2 |
| Redevelopable | 88 | 2 | 1 | 0 | 91 | 25.6 | 4.6 | 0.0 | 0.0 | 30.2 |
| Total | 572 | 19 | 5 | 10 | 606 | 111.1 | 23.9 | 24.3 | 173.2 | 332.5 |

| Employment Zones | Parcels | | | | | Acres | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Category | < 1 acre | 1 to 5 acres | 5 to 10 acres | > 10 acres | Subtotal Parcels | < 1 acre | 1 to 5 acres | 5 to 10 acres | > 10 acres | Subtotal Acres |
| Vacant, Private* | 234 | 14 | 1 | 1 | 250 | 51.1 | 23.4 | 7.0 | 13.3 | 94.8 |
| Vacant, Public/Semi Public* | 74 | 21 | 0 | 1 | 96 | 23.2 | 35.5 | 0.0 | 32.5 | 91.1 |
| Part Vacant, Private | 0 | 4 | 0 | 0 | 4 | 0.0 | 7.5 | 0.0 | 0.0 | 7.5 |
| Part Vacant, Public/Semi-Public | 0 | 0 | 0 | 2 | 2 | 0.0 | 0.0 | 0.0 | 53.8 | 53.8 |
| Redevelopable | 5 | 0 | 1 | 0 | 6 | 49.3 | 50.5 | 12.7 | 0.0 | 112.5 |
| Total | 313 | 39 | 2 | 4 | 358 | 123.7 | 116.8 | 19.7 | 99.6 | 359.8 |

| Mixed Use Zones | Parcels | | | | | Acres | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Category | < 1 acre | 1 to 5 acres | 5 to 10 acres | > 10 acres | Subtotal Parcels | < 1 acre | 1 to 5 acres | 5 to 10 acres | > 10 acres | Subtotal Acres |
| Vacant, Private* | 9 | 1 | 1 | 0 | 11 | 1.9 | 2.8 | 5.1 | 0.0 | 9.8 |
| Vacant, Public/Semi Public* | 1 | 1 | 0 | 0 | 2 | 0.2 | 0.9 | 0.0 | 0.0 | 1.2 |
| Part Vacant, Private | 0 | 0 | 0 | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Part Vacant, Public/Semi-Public | 0 | 0 | 0 | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Redevelopable | 5 | 0 | 1 | 0 | 6 | 2.1 | 0.0 | 5.4 | 0.0 | 7.6 |
| Total | 15 | 2 | 2 | 0 | 19 | 4.3 | 3.7 | 10.6 | 0.0 | 18.5 |

Notes:
* identified as vacant in Lane County assessor data
Source: GIS analysis by Fregonese Associates; analysis by FCS GROUP.

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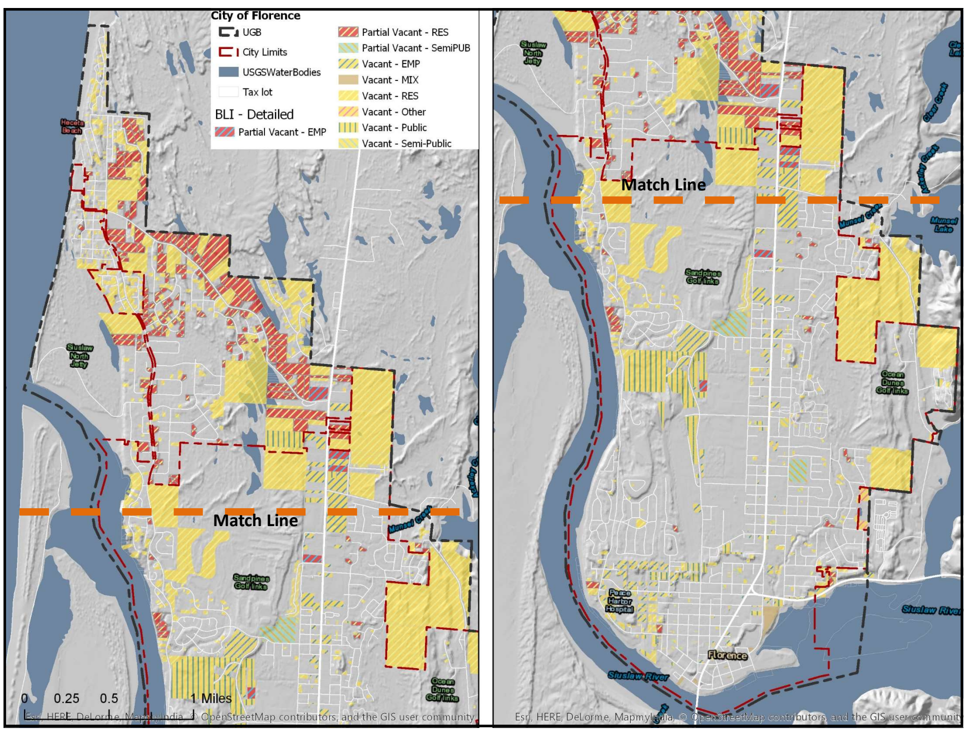
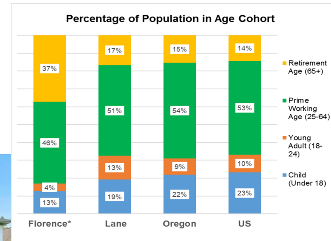
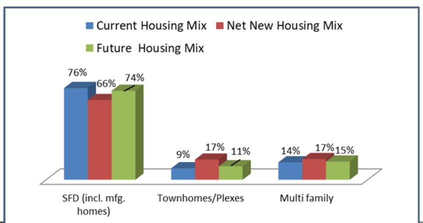
Page 5

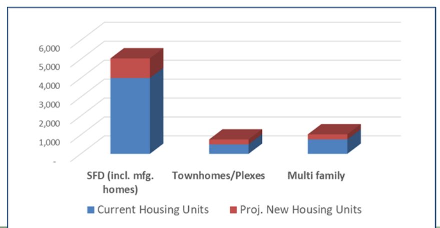


# Housing Needs Findings

- Multiple housing types are needed
- Increased demand for SFD, townhomes & apartments expected
- Senior housing & congregate care facilities






# Housing Needs Findings

- Florence UGB expected to add 1,481 total housing units over 20 years
- About 18% will be seasonal "second homes" & short term rentals
- Housing affordability is key

**Florence Population & Housing: Baseline 20-Year Forecast**

| | Estimate 2015 | Forecast 2035 | Proj. Change 20 Years | Proj. AGR |
|---|---|---|---|---|
| **Florence UGB Population** | **10,486** | **12,554** | **2,068** | **0.90%** |
| **Florence Housing Needs** | | | | |
| Group Quarters Population | 98 | 118 | 19 | |
| Population in Households | 10,388 | 12,436 | 2,049 | |
| Avg. Household Size | 1.95 | 1.90 | | |
| Resident Housing Units | 5,327 | 6,546 | **1,218** | 1.04% |
| **Total Housing Units** | **6,477** | **7,959** | **1,481** | 1.04% |
| Seasonal & Vacant Housing Units | 1,150 | 1,413 | **263** | 1.04% |
| percent of housing stock | 18% | 18% | 18% | |

**Source:** Findings based on PSU Population Research Center data, Census data, and forecasts consistent with Florence UGB growth forecasts; FCS GROUP.

## Housing Needs Findings

- Housing Land Need = 231 +/- acres of land needed (Scenario B)
- Includes 1,481 housing units (base case) plus 88 units of pent up workforce housing demand over next 20 years

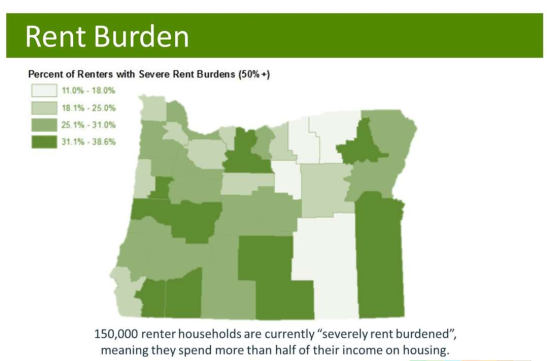
| Scenario B: Baseline + Workforce Housing Policy Scenario | 1,569 | | | | | |
|---|---|---|---|---|---|---|
| | Owner-Occupied Dwelling Units | Renter-Occupied Dwelling Units | Second Homes & Short Term Rentals | Net New Dwelling Units | Average Density (DU per Net Buildable Acre) | Potential Land Need (Net Buildable Acres)* |
| **Housing Tenure Distribution:** | **794** | **512** | **263** | **1,569** | **6.8** | **231.0** |
| | 51% | 33% | 17% | 100% | | |
| **Housing Unit/Type** | | | | | | |
| Single Family Detached | 596 | 179 | 132 | 906 | 6.0 | 173.7 |
| Mfg. Housing | 79 | 51 | 0 | 131 | 10.0 | 15.0 |
| Total SFD | 675 | 230 | 132 | 1,037 | | 188.7 |
| Townhomes / Plexes | 79 | 102 | 79 | 261 | 12.0 | 25.0 |
| Multi family (5+ units) | 40 | 179 | 53 | 271 | 18.0 | 17.3 |
| **Total** | **794** | **512** | **263** | **1,569** | **6.8** | **231.0** |

* assumes 15% of land area added for public roads and infrastructure.



## Housing Needs Findings

- Lane County is among most rent-burdened Counties in Oregon



# Draft Housing Needs Findings

- Rents should be less than $922 per month (@80% MFI for City)
- Home prices should be less than $183,000 (@80% MFI for City)

| Florence Median Family Income Level (2015)* | $46,114 | |
|---|---|---|
| | | |
| **Available Monthly Rent or Payment (@30% of income level)** | **Lower-end** | **Upper-End** |
| High (120% or more of MFI) | $1,383 | or more |
| Upper Middle (80% to 120% of MFI) | $922 | $1,383 |
| Lower Middle (50% to 80% of MFI) | $576 | $922 |
| Low (30% to 50%) | $346 | $576 |
| Very Low (less than 30% of MFI) | $346 | or less |
| | | |
| **Approximate Attainable Home Price**** | **Lower-end** | **Upper-End** |
| High (120% or more of MFI) | $274,000 | or more |
| Upper Middle (80% to 120% of MFI) | $183,000 | $274,000 |
| Lower Middle (50% to 80% of MFI) | $114,000 | $183,000 |
| Low (30% to 50%) | $69,000 | $114,000 |
| Very Low (less than 30% of MFI) | $69,000 | or less |

*Notes:*

** based on American Community Survey data for City, 2011-15.*

*** assumes 20% down payment on 30-year fixed mortgage at 6.0% interest.*

*Source: analysis by FCS Group using Housing and Urban Development guidelines, and US Census data.*

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Page 11

# Economic Opportunity Findings

**Florence Economic Development Strategy Target Employment Clusters**

| Target Use | Market Potential | Potential Revenue Generation for City | Potential Job Creation | Recommended Target Market in 2016 Strategy |
|---|---|---|---|---|
| Outdoor Gear | ◐ | ◐ | ◐ | ☑ |
| Craft Food/Beverages | ● | ◐ | ● | ☑ |
| Software/Information Technology | ● | ◐ | ◐ | ☑ |
| Forest Products | ● | ◐ | ● | ☑ |
| Health Care Services | ● | ◐ | ● | ☐ |
| Entrepreneurs | ● | | ● | ☑ |
| Lodging | ● | ● | ● | ☐ |
| Continuing Care Facilities | ◐ | | ○ | ☐ |
| Arts/Entertainment (Destinations) | ● | | ◐ | ☐ |
| Others?? | | | | ☐ |

Legend:

Good: ● Fair: ◐ Poor: ○

*Source: FCS GROUP based on EOA findings and Committee input.*

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Page 12

## Economic Opportunity Findings

- Florence 20-year job growth forecast = 1,082 new jobs
- Most growth expected in health/social services, small business/services, food/lodging, education and retail

**Florence UGB Job Growth Forecast**

| Job Sector | 2015 Jobs | AGR | 2035 Jobs | Change |
|---|---|---|---|---|
| Industrial | 259 | 1.31% | 336 | 77 |
| Retail | 741 | 0.73% | 856 | 115 |
| Health Care & Social Services | 874 | 1.98% | 1,293 | 419 |
| Food/Lodging Services | 663 | 1.25% | 850 | 187 |
| Educational Services | 165 | 1.18% | 208 | 43 |
| Public Administration | 86 | 0.38% | 93 | 7 |
| Other Services | 965 | 1.09% | 1,199 | 234 |
| **Total** | **3,753** | **1.28%** | **4,835** | **1,082** |

**Source:** Oregon Emp. Dept. (OED, 2015); projections based on OED employment sector growth forecasts for Lane County; FCS GROUP.

**Abbreviations:** AGR = annual average growth rate. UGB = urban growth boundary.



## Economic Opportunity Findings

- Baseline 20-year employment land needs = 36+ buildable acres
- Plus 79,250 SF of building refill/redevelopment (16% of demand)

**Projected Employment & Land Need, Lincoln City, 20-Year Forecast**
**Scenario A: 20-year Employment Land Need, Florence UGB**

| Job/Use Type | 20-Year Job Growth Forecast [1] | Avg. FAR | Jobs Per Acre [2] | Building Floor Area Per Job [2] | 20-Year Building Need (floor area SF) | Refill/ Rede-velopment Share Capture | Refill/ Rede-velopment Floor Area | 20-Year Land Need (buildable acres) [3] |
|---|---|---|---|---|---|---|---|---|
| **Private Employment** | | | | | | | | |
| Industrial | 77 | 0.15 | 10 | 1,500 | 115,000 | 0% | - | 8.8 |
| Services | 883 | | | | | | | |
| Lodging | 37 | 0.25 | | 1000 | 37,000 | 15% | 5,550 | 3.3 |
| Food Services | 148 | 0.30 | | 400 | 59,000 | 20% | 11,800 | 4.2 |
| Education Services | 44 | 0.20 | | 500 | 22,000 | 20% | 4,400 | 2.3 |
| Office/Other Services | 654 | 0.30 | | 300 | 196,000 | 20% | 39,200 | 13.8 |
| Retail (baseline growth) | 115 | 0.30 | | 500 | 58,000 | 30% | 17,400 | 3.6 |
| **Private Subtotal** | **1,031** | | | | **487,000** | | **78,350** | **36.0** |
| **Government** [4] | 7 | 0.30 | | 500 | 3,000 | 30% | 900 | 0.2 |
| **Total** | **1,038** | | | | **490,000** | **16%** | **79,250** | **36.2** |

*Notes:*

*[1] Excludes home-based workers.*

*[2] Assumptions for job densities reflect "covered jobs" and are generally consistent with Oregon DLCD, Industrial and Other Employment Land Analysis Handbook, 2001.*

*[3] Assumes net land area is adjusted upwards by 15% for public road circulation, easements and utilities.*

*[4] Excludes special site requirements for city, school district, county, state and federal governments.*

**Source**: FCS GROUP based on assumptions stated above.

## Economic and Financial Feasibility

| | Single Family Detached | Single Family Manufactured | Townhomes | Apartments by For-Profit Developer | Apartments by Non-Profit Developer | Mixed Use (Apts over Retail) |
|---|---|---|---|---|---|---|
| Residential Sales Price or Monthly Rent (avg.) | $385,000 | $245,000 | $225,000 | $1,000 | $800 | $1,200 |
| Commercial Lease Rate (Per SF per year) | | | | | | $15 |
| Developer Type | For Profit | For Profit | For Profit | For Profit | Non-Profit | For Profit |
| Targeted Annual Rate of Return | 16% | 16% | 16% | 16% | 5% | 16% |
| Dwellings Per Net Acre | 6.0 | 10.0 | 12.0 | 18 | 18 | 24 |
| **Residual Land Value Per Gross Acre, current** | **$235,200** | **$375,467** | **$438,000** | **($227,300)** | **$411,500** | **($530,300)** |
| **Residual Land Value Per Dwelling Unit** | **$49,000** | **$46,933** | **$43,800** | **($15,150)** | **$27,433** | **($25,411)** |
| **Feasible in near term?** | **YES** | **YES** | **YES** | **NO** | **YES** | **NO** |

**Critical Metrics from Developer's Perspective**

1. NOI before debt service (at expected rents/prices & absorption)
2. Return on Equity (Breakeven in 4 Years or less)
3. Supportable Equity (based on targeted return: 5% to 16%)
4. Supportable Debt (at current market rates & terms)
5. Residual Land Value (Supportable Debt + Equity – Construction Cost)



## Workforce Housing Strategies

| | | Workforce Housing | | | | |
|---|---|---|---|---|---|---|
| | Single Family Detached | Single Family Manufactured | Townhomes | Apartments by For-Profit Developer | Apartments by Non-Profit Developer | Mixed Use (Apts over Retail) |
| Residential Sales Price or Monthly Rent (avg.) | $385,000 | $245,000 | $225,000 | $1,000 | $800 | $1,200 |
| **Feasible in near term?** | **YES** | **YES** | **YES** | **NO** | **YES** | **NO** |
| **Residual Value Sensitivity Analysis per Dwelling** | | | | | | |
| **0. Current Conditions, Status Quo** | **$49,000** | **$46,933** | **$43,800** | **($15,150)** | **$27,433** | **($33,744)** |
| 1. Value of $5,000/DU reduction in SDCs or Cost | $5,000 | $5,000 | $5,000 | $5,667 | $4,067 | $8,333 |
| 2. Value of adding 1 additional unit per acre | $2,505 | $894 | $400 | $5,563 | $4,138 | $935 |
| **3. Value of combining 2 and 3** | **$7,505** | **$5,894** | **$5,400** | **$11,229** | **$8,205** | **$9,268** |
| **Potential change in monthly cost to occupant** | **-$45** | **-$36** | **-$33** | **-$68** | **-$50** | **-$56** |

*Notes: analysis assumes "shovel ready" development sites with no extra-ordinary facility cost to developers. FCS GROUP.*

** Assumes other costs and return on investment assumptions to developers remain consistent with base case scenario*

Potential Public Sector Strategies to Enhance Workforce Housing Feasibility

1. Land Use Permitting/Design Streamlining
2. Allow more building height/units and reduce parking requirements
3. Lower or Exempt System Development Charges
4. Provide Development Incentives using Construction Excise Tax
5. Construct/Fund Off-Site Infrastructure
6. Land Purchase or Exchange

## Community Survey Input

**1. How should the City prioritize housing-related funding?**

| Answer Choices | Weighted Average |
|---|---|
| **Ensure affordable and sufficient housing options in the future** | **1st (1.86)** |
| Preserve and rehabilitate the existing housing stock | 2nd (2.45) |
| *(Other)* | 3rd (2.93) |
| Enhance the character of existing neighborhoods. | 4th (3.02) |
| Update regulations that govern neighborhood design and development | 5th (3.15) |

*(Lower score = higher priority)*

FCS GROUP Page 17

## Community Survey Input

**2. On what types of housing opportunities should the City focus its resources?**

| Answer Choices | Percent | Respondents |
|---|---|---|
| **Long-term rentals (monthly/annual rental units)** | **75.4%** | **481** |
| Affordable workforce housing (e.g. accessory dwelling units) | 67.2% | 429 |
| Subsidized housing | 33.2% | 212 |
| Market rate for-sale housing | 26.3% | 168 |
| Short-term rentals (less than 30 days) | 7.0% | 45 |

FCS GROUP Page 18

## Community Survey Input

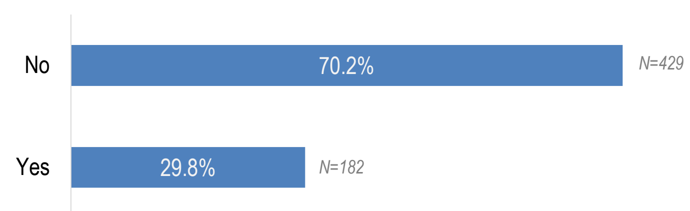
**3. Which housing types does Florence need most?**

| Answer Choices (Top 5) | Percent | Respondents |
|---|---|---|
| **Single family detached** | **48.0%** | **317** |
| Cottage housing (small detached units clustered around a common green space) | 43.7% | 289 |
| Apartments, condominiums (in buildings with 3 or more floors) | 37.2% | 246 |
| Attached single family (townhouse) | 35.9% | 237 |
| Duplex, Triplex | 34.8% | 230 |



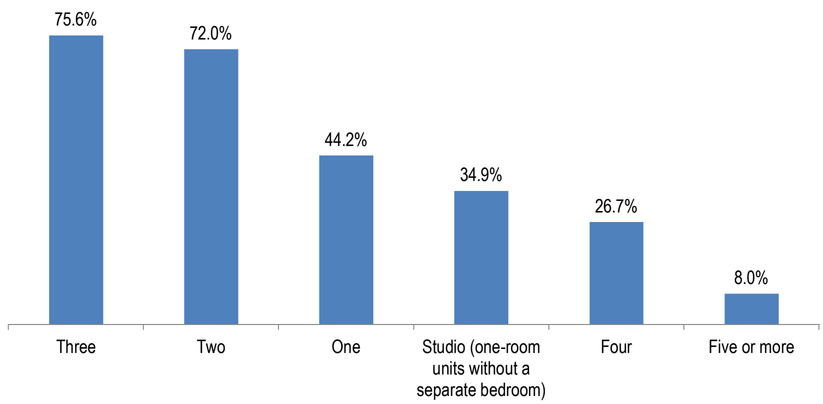
## Community Survey Input

**4. Should residential neighborhoods include opportunities for short-term (less than 30 days) rentals?**



# Community Survey Input

5. Florence needs units with how many bedrooms?

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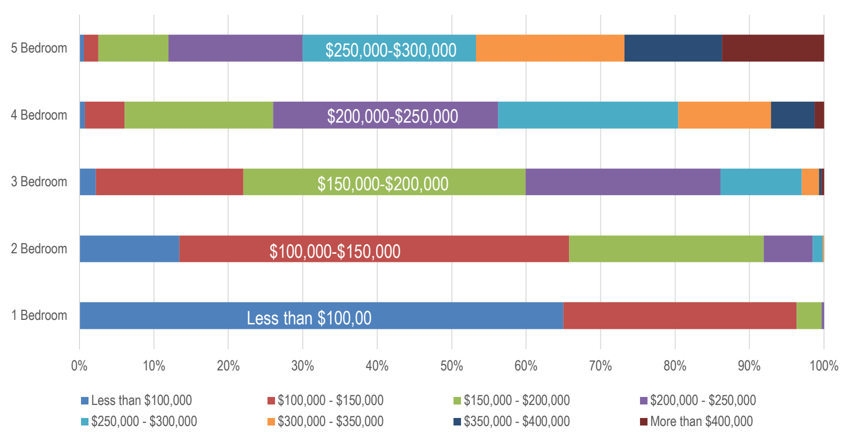
Page 21

# Community Survey Input

6. What do you personally consider an affordable purchase price for a home?

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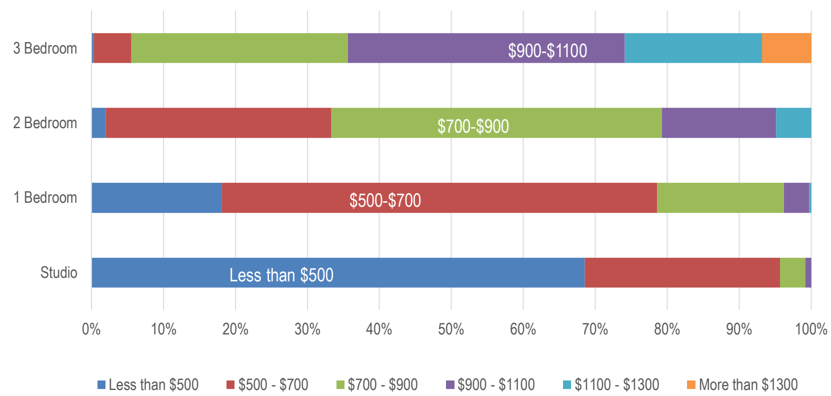
Page 22

## Community Survey Input

7. What do you personally consider an affordable monthly rent for a rental unit?






## Community Survey Input

8 How should the City prioritize economic development-related funding?

| Answer Choices | Priority |
|---|---|
| **Work with local and regional partners to promote and grow local businesses.** | **1st (4.4)** |
| Revitalize and redevelop existing commercial and industrial districts within the city. | 2nd (4.22) |
| Expand other industry clusters in software/IT, forest products, craft food/beverages, outdoor gear, seafood products, etc. | 3rd (3.90) |
| Work with local and regional partners to establish Florence as a center for entrepreneurship and start-up businesses. | 4th (3.75) |
| Unify regional economic development efforts under a common brand. Deepen the region's economic links throughout the state and the northwest. | 5th (3.00) |
| Construct infrastructure such as streets on speculative development | 6th (2.65) |

*(Higher score = higher priority)*

## Community Survey Input

**9 Identify Florence's strengths and weaknesses as a place to do business.**

| | Major Strength | Minor Strength | Minor Weakness | Major Weakness |
|---|---|---|---|---|
| The local markets and volume of customers | 12% | **35%** | 30% | 13% |
| Available, skilled workforce | 6% | 13% | 28% | **46%** |
| General business climate | 9% | **32%** | 32% | 13% |
| Interaction with firms in the same and/or related industries | 4% | 15% | 28% | 13% |
| Proximity to major transportation corridors | 10% | 17% | **31%** | **38%** |
| Public infrastructure | 6% | 28% | **35%** | 27% |
| Quality of life | **62%** | 24% | 8% | 5% |
| Available land and buildings for employment growth | 14% | 27% | 29% | 17% |
| Permitting processes | 5% | 10% | 21% | 23% |
| Development fees | 4% | 8% | 20% | 22% |
| Location on the Oregon Coast | **71%** | 18% | 7% | 2% |
| Available financing | 7% | 16% | 20% | 12% |
| Other (see below) | 8% | 3% | 7% | 21% |

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## Discussion

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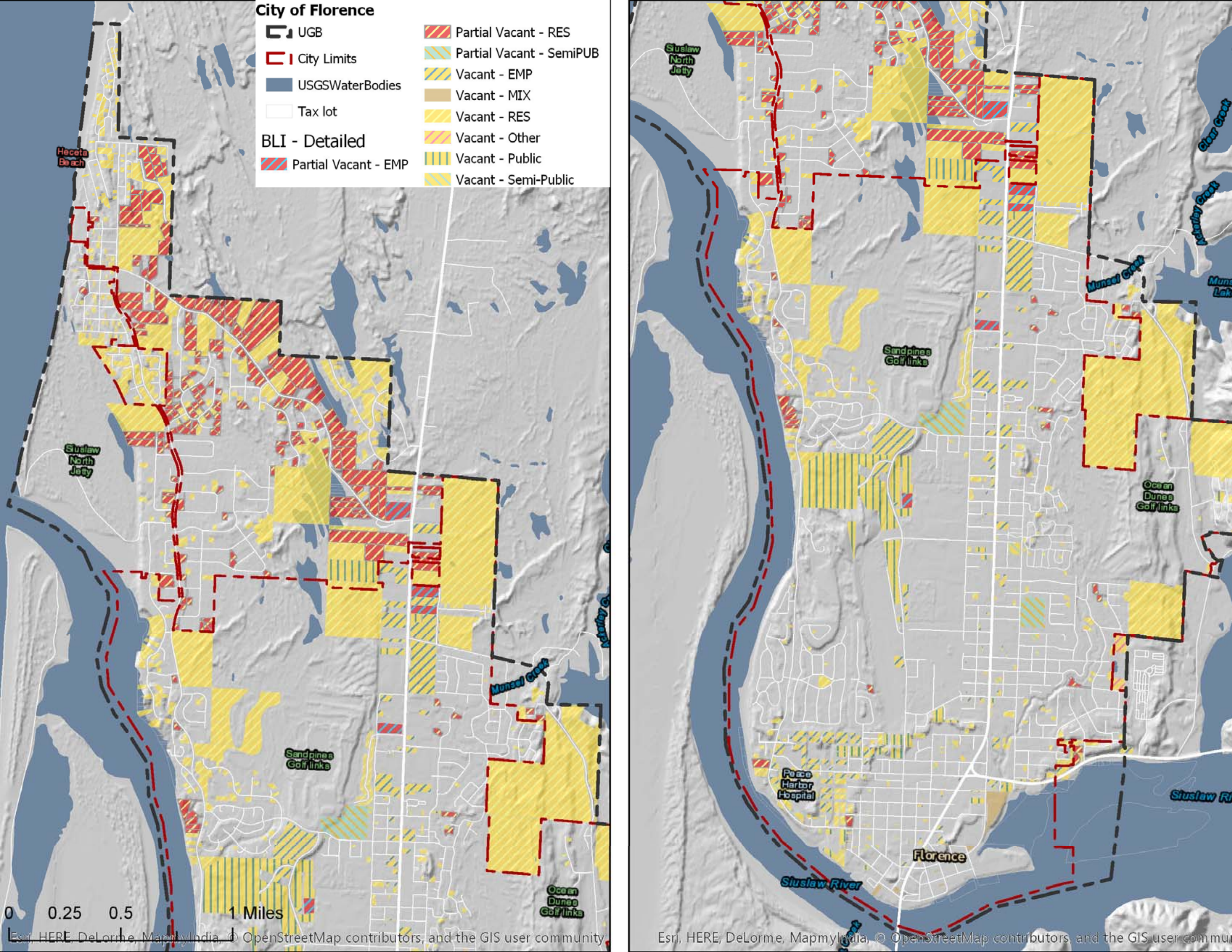

City of Florence
UGB
City Limits
USGSWaterBodies
Tax lot
BLI - Detailed
Partial Vacant - EMP
Partial Vacant - RES
Partial Vacant - SemiPUB
Vacant - EMP
Vacant - MIX
Vacant - RES
Vacant - Other
Vacant - Public
Vacant - Semi-Public
Heceta Beach
Siuslaw North Jetty
Sandpines Golf links
Munsel Creek
Ocean Dunes Golf links
0 0.25 0.5 1 Miles
Esri, HERE, DeLorme, MapmyIndia, © OpenStreetMap contributors, and the GIS user community
Siuslaw North Jetty
Clear Creek
Munsel Creek
Sandpines Golf links
Ocean Dunes Golf links
Peace Harbor Hospital
Florence
Siuslaw River

**To:** Wendy Farley-Campbell and Kelli Weese, City of Florence **Date:** September 14, 2017

**From:** Todd Chase and Timothy Wood

**RE** Florence EOA and HNA project, Task 3.3 Economic Impact Analysis

Per our contract on this project, this Memorandum describes findings and recommendations regarding Task 3.3 Economic Impact Analysis.

## METHODOLOGY

Input received from the Stakeholder and HEOP meetings as well as the interim survey results from the HNA/EOA survey indicate a strong local desire for more affordable and market rate housing in Florence.

When Florence last updated its Comprehensive Plan, the City explicitly adopted a housing policy to focus on supporting additional housing opportunities, as part of Goal 10 Housing as follows.

> **"Objective 1: To support a variety of residential types and new concepts that will encourage housing opportunities to meet the housing needs for households of varying incomes, ages, size, taste and lifestyle."**

This economic impact analysis documents some of the local challenges to provide various types of housing in Florence in light of current market conditions and local regulations. To undertake this assignment, FCS GROUP conducted the following work tasks:

1. Met with City planning staff and local developers/brokers to seek input regarding recent changes to access, landscaping, lighting, and stormwater requirements and development regulations that impact development feasibility.
2. Reviewed existing System Development Charges in Florence and selected small cities in Oregon.
3. Reviewed housing and mixed-use land prices, rent levels and sales prices in Florence.
4. Prepared financial pro forma analyses of prototypical local developments to better understand the feasibility of project delivery from a developer's point of view.
5. Conducted a sensitivity analysis of changes in local regulations and SDCs to determine how such changes could impact local development project feasibility along with the cost to future homeowners or renters that occupy these projects.

## MARKET FINDINGS

Overall market absorption for housing in Florence has been relatively strong over the past two years. According to current real estate market listing and sales of completed homes (all types) within the City of Florence, the sales absorption over the past two years has averaged 35 units per month, as shown in **Table 1**. Nearly 9 out of 10 units sold have been priced under $300,000.

At the current pace of absorption the current inventory of homes listed for sale priced under $300,000 will be depleted within three months. In general, healthy housing markets typically have a 4 to 6 month inventory of homes listed for sale. Hence, there is a very tight supply of housing priced under $300,000 in Florence today.

Exhibit 1. Homes Sales and Inventory, Florence

| | Listings | Sales over Past 24 months | Avg. Units Sold per month | Months until current inventory depleted |
|---|---|---|---|---|
| Sales Price Level | | | | |
| Less than $100,000 | 11 | 178 | 7.4 | 1 |
| $100,000 to $149,999 | 13 | 130 | 5.4 | 2 |
| $150,000 to $199,999 | 5 | 197 | 8.2 | 1 |
| $200,000 to $249,999 | 15 | 167 | 7.0 | 2 |
| $250,000 to $299,999 | 12 | 91 | 3.8 | 3 |
| $300,000 to $349,999 | 15 | 40 | 1.7 | 9 |
| $350,000 to $399,999 | 5 | 22 | 0.9 | 5 |
| $400,000 to $499,999 | 5 | 17 | 0.7 | 7 |
| $500,000 or more | 12 | 9 | 0.4 | 32 |
| Total | 93 | 851 | 35.5 | |

Source: Zillow.com; analysis by FCS 9/13/17.

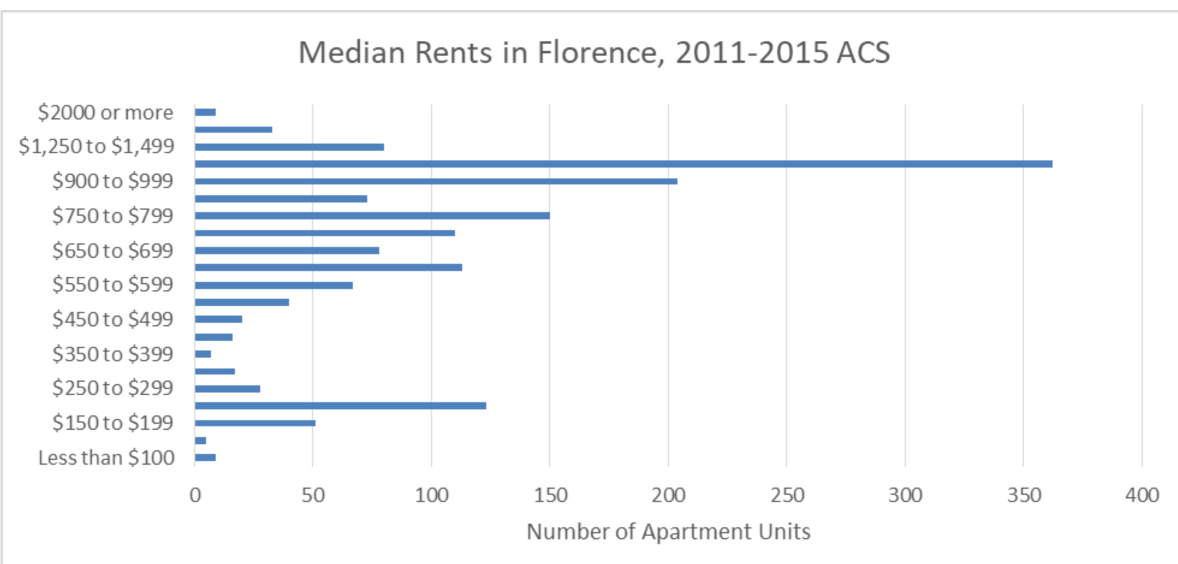
There is also a tight rental housing supply in Florence as well. According to local property managers and developers there is usually a waiting list for both market rate and affordable apartments in Florence. As such, many renters (and homeowners) that work in Florence must travel long distances to find attainable and good quality housing.

When rents are at or below 30% of gross income, apartments are generally considered to be affordable. In Florence, about 43% of the renter-households pay more than 35% of their income for rent. This equates to about 673 “rent burdened” households in Florence, as shown in **Table 2**.

| Exhibit 2. Gross rent as a percentage of income, Florence, 2015 | | |
|---|---|---|
| | Estimate | % |
| Total: | 1,568 | 100.0% |
| Less than 10.0% | 38 | 2.4% |
| 10.0% to 14.9% | 113 | 7.2% |
| 15% to 19.9% | 189 | 12.1% |
| 20.0% to 24.9% | 144 | 9.2% |
| 25.0% to 29.9% | 240 | 15.3% |
| 30.0% to 34.9% | 171 | 10.9% |
| 35.0% to 39.9% | 122 | 7.8% |
| 40.0% to 49.9% | 182 | 11.6% |
| 50.0% or more | 369 | 23.5% |
| Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates | | |

Median rents in Florence have risen in recent years. Monthly market rents for apartments in Florence now range from: $750 to $850 for 1 bedroom units, and $850 to $1,200 for 2 bedroom units, and above $1,200 for units with three or more bedrooms, as shown in **Exhibit 3**.

**Exhibit 3**



The number of building permits added to the local housing inventory in Florence has averaged 26 units per year for single family dwellings and only 9 units per year for multifamily units (including apartments) over the 2011 to 2015 time frame. As indicated in **Exhibit 4**, the amount of building permit activity is down about 75% from the level of activity that occurred prior to the Great Recession.

Exhibit 4. Annual New Residential Building Permits, Florence City, 2005 to 2015

| | Single Family Units | Multi-Family Units | Total Units |
|---|---|---|---|
| 2005 | 122 | 2 | 124 |
| 2006 | 135 | 5 | 140 |
| 2007 | 136 | 5 | 141 |
| 2008 | 54 | 41 | 95 |
| 2009 | 25 | 0 | 25 |
| 2010 | 23 | 0 | 23 |
| 2011 | 20 | 0 | 20 |
| 2012 | 28 | 0 | 28 |
| 2013 | 17 | 0 | 17 |
| 2014 | 32 | 29 | 61 |
| 2015 | 32 | 16 | 48 |

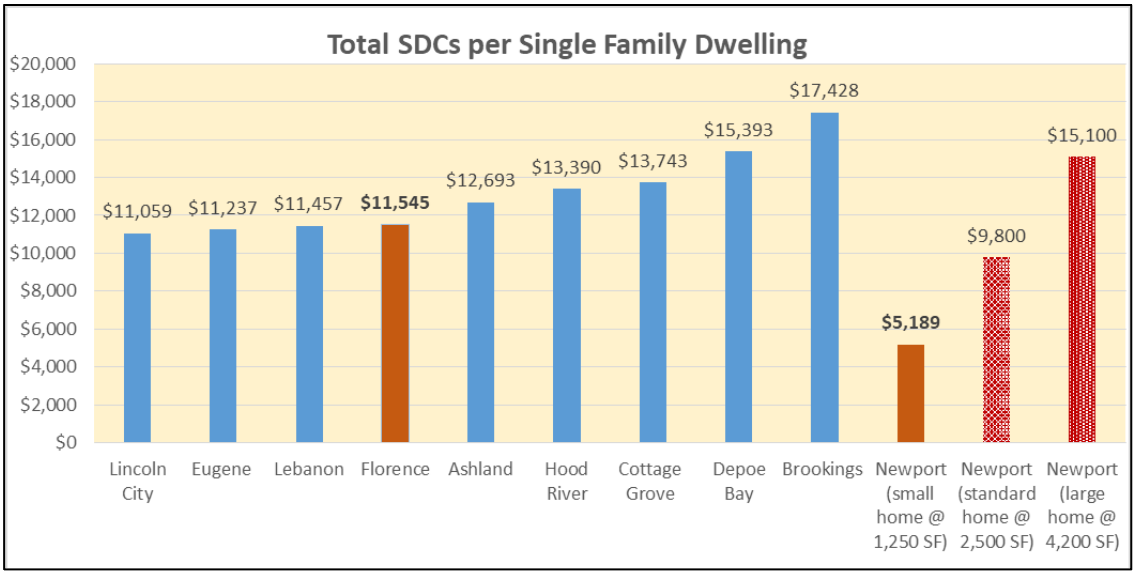
Source: Local Building Permit Estimates by City; FCS GROUP.

## DEVELOPMENT COSTS

In coastal and rural communities located outside major metropolitan areas the cost of new construction (building soft costs and hard costs) is usually higher than in urban locations. While land costs may be lower and building materials costs slightly higher, labor costs may run 7% to 15% higher. Higher labor costs may be attributed to longer travel times, greater mobilization costs and higher transportation costs. In some instances, developers in rural areas may also be required to provide temporary housing assistance for their workers.

The cost of development permitting is a “soft cost” that also ranges measurably by location, and impacts a project’s feasibility. The cost of impact fees (System Development Charges or SDCs in Oregon) typically vary from 2% to 10% of a project’s development costs (excluding land). Current SDCs in Florence for a single family home are $11,545, which is considered to be about average for small cities in Oregon (see **Exhibit 5**).

**Exhibit 5. SDC Comparisons**




Some cities, such as Newport, are now varying SDCs by home size, as a way to lower the cost of delivering more affordable housing. Newport recently changed their SDC methodology from a single fee per single family home (similar to Florence's current SDC method) to a variable SDC that takes into account total floor area. As such, SDCs in Newport have been reduced by about $5,800 per dwelling unit for smaller homes and by about $1,100 for standard size homes. For affordable apartment dwellings, SDCs in Newport may be eliminated and a local construction excise tax (CET) has been adopted to effectively reduce the cost of delivering apartment units by $5,300 per apartment unit (see **Exhibit 6**).

**Exhibit 6. Newport's Recently Adopted SDCs and CET**

| | Small Home (market rate) | Standard Home (market rate) | Large Home (market rate) | Apartment Unit (market rate) | Affordable Apartment Unit (with incentives) |
|---|---|---|---|---|---|
| **SDCs, Prior** | **$10,994** | **$10,994** | **$10,994** | **$4,406** | **$4,406** |
| SDCs: New | $5,189 | $9,800 | $15,100 | $3,313 | $0 |
| CET: New | $1,875 | $3,750 | $6,300 | $950 | ($950) |
| **Total: New SDCs and CET** | **$7,064** | **$13,550** | **$21,400** | **$4,263** | **($950)** |
| **Change Per Unit** | **($3,930)** | **$2,556** | **$10,406** | **($143)** | **($5,356)** |
| | | | | | |
| Example (floor area SF) | 1,250 | 2,500 | 4,200 | 900 | 900 |

# FINANCIAL AND ECONOMIC IMPACT ANALYSIS

In light of local market findings in Florence, FCS GROUP conducted a development pro forma analysis to ascertain the economic feasibility of delivering various types of housing in Florence today. The analysis takes into account current market terms for real estate lending terms as well as typical developer-required return on investment (ROI) metrics.

The financial pro forma analysis of various development types is used to assess the financial feasibility of the new construction in the Florence Urban Growth Boundary (UGB). The analysis includes assumptions for building and site preparation costs, as well as debt terms and developer ROI expectations. The findings are summarized below in **Exhibit 6**, and detailed in the appendix tables.

The development types evaluated include:

- Single Family Detached Housing
- Single Family Detached Manufactured Homes
- Townhomes
- Apartments (60-units market rate)
- Apartments (60 units @75% of market rate)
- Mixed Use (apartments over commercial)

**The preliminary financial analysis indicates favorable near-term feasibility for single family detached and townhome housing types**, with residual land values ranging from $43,800 to $49,000 per dwelling unit (finished lot) at the stated assumptions.

**These estimates are considered to be "average" residual land value amounts once adequate public infrastructure is provided; actual amounts may be higher or lower depending upon unique site attributes and a developer's required ROI.**

**Unlike single family detached and townhome construction, market-rate apartment developments may not generate a positive residual land value under current market conditions.** However, **if apartments are developed by non-profit entities they will likely generate a positive residual land value.**

**Vertical mixed-use development (such as apartments over retail) also results in a negative residual land value** (development costs exceeds required ROI) if developed by a private for-profit developer.

**Negative residual land values indicate that near-term market/price levels must increase measurably and/or development costs must be reduced for market rate apartments or mixed use development to be feasible.** The feasibility of apartments and mixed-use developments would be enhanced if the City pursued various incentives, including some of the incentive techniques described in the following section.

As shown in **Exhibit 6**, the combination of two types of incentives: SDC reductions; and increased building density allowance have been analyzed to determine their relative impact of a project's feasibility. These two items, when combined, would have a measurable impact on development feasibility, and could in-turn help lower rent or price levels for future occupants by $33 to $68 per month, depending upon the type of project being developed.

**Exhibit 6. Financial Feasibility Analysis of Florence Development Types**

| | Single Family Detached | Single Family Manu-factured | Town-homes | Apart-ments by For-Profit Developer | Apart-ments by Non-Profit Developer | Mixed Use (Apts over Retail) |
|---|---|---|---|---|---|---|
| Residential Sales Price or Monthly Rent (avg.) | $385,000 | $245,000 | $225,000 | $1,000 | $800 | $1,200 |
| Commercial Lease Rate (Per SF per year) | | | | | | $15 |
| Developer Type | For Profit | For Profit | For Profit | For Profit | Non-Profit | For Profit |
| Targeted Annual Rate of Return (developer profit & overhead) | 16% | 16% | 16% | 16% | 5% | 16% |
| Dwellings Per Net Acre | 6.0 | 10.0 | 12.0 | 18 | 18 | 24 |
| Residual Land Value Per Gross Acre, current | $235,200 | $375,467 | $438,000 | ($227,300) | $411,500 | ($530,300) |
| Residual Land Value Per Dwelling Unit | $49,000 | $46,933 | $43,800 | ($15,150) | $27,433 | ($25,411) |
| Feasible in near term? | YES | YES | YES | NO | YES | NO |
| Residual Value Sensitivity Analysis per Dwelling | | | | | | |
| 0. Current Conditions, Status Quo | $49,000 | $46,933 | $43,800 | ($15,150) | $27,433 | ($33,744) |
| 1. Value of $5,000/DU reduction in SDCs or Cost | $5,000 | $5,000 | $5,000 | $5,667 | $4,067 | $8,333 |
| 2. Value of adding 1 additional unit per acre | $2,505 | $894 | $400 | $5,563 | $4,138 | $935 |
| 3. Value of combining 2 and 3 | $7,505 | $5,894 | $5,400 | $11,229 | $8,205 | $9,268 |
| Potential change in monthly cost to occupant | -$45 | -$36 | -$33 | -$68 | -$50 | -$56 |
| *Notes: analysis assumes "shovel ready" development sites with no extra-ordinary facility cost to developers. FCS GROUP.* | | | | | | |
| ** Assumes other costs and return on investment assumptions to developers remain consistent with base case scenario.* | | | | | | |
| *Analysis by FCS GROUP based on detailed financial pro forma tables in Appendix.* | | | | | | |

## POLICY TECHNIQUES

Cities and counties throughout Oregon and the nation have utilized a variety of techniques to spur desired private (or public) development of workforce housing. In many instances, cities work with local counties, development authorities, non-profit housing developers, and for-profit developers on a case-by-case basis that takes into account local politics, market strength, and public land/funding availability. The techniques used generally fall into three categories: regulatory; financial; and development agreements.

### Regulatory Techniques

- Developer/Property Owner Design Assistance
- Public funding match or loans for planning/design
- May entail use of a “forgivable” grant if construction advances as scheduled
- May entail use of urban renewal funds if used for land or capital facilities
- Pre-Approved Building Permits
- Pre-Approved Design Guidelines
- Facilitated Design Approvals

- Reduced Parking Requirements
- Grant bonus density allowances for provision of long-term rental housing

**Financial Techniques**

- Lower or waive System Development Charges (SDCs) for accessory dwelling units (ADUs) or income restricted housing developments.
- Apply/calculate single family SDCs based on dwelling size (lowers SDCs for small homes)
- Utilize SDC fund balances or urban renewal funds to pay SDCs
- Create local “affordable housing reserve fund” using dedicated funding sources, such as the recently allowed: Affordable Housing Construction Excise Tax, as authorized by Senate Bill 1533 (approved by the Oregon Legislature in 2016), or by a voter-approved property tax levy for the construction of public housing.
- Provide gap financing through Second Mortgage Financing with Public Monies in Return for Public Facilities.
- Facilitate grant applications and the use of various state or federal grant or loan assistance programs, such as:

  HUD: https://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/programs

  USDA: https://www.usda.gov/topics/rural/housing-assistance

  Oregon Housing and Community Services: https://www.oregon.gov/ohcs/Pages/housing-assistance-in-oregon.aspx

  Business Oregon, Special Public Works Program: http://grantsoffice.com/GrantDetails.aspx?gid=38755

- Utilize local tax abatement (e.g., 5 to 10 years) to reduce development cost for workforce housing developments.
- Public formation and advance financing for a Reimbursement District that pays for specific public facilities (i.e., roads, pathways, storm drains).
- Pledge public revenues from utility surcharges or SDCs to pay for designated public facilities

**Public-Private Development Agreement Techniques**

- Public land exchange with development conditions.
- Public land/space lease commitments to private entity that provides facilities restricted to public use (such as lease of common areas or public purpose space).
- Use of Land Sale/leaseback arrangements of privately built public buildings for public use (i.e., meeting/events center, library, etc.).
- Ownership/Management Allowing City to Take Cash Flow Participation and/or share in Refinancing Proceeds.

- Use of land sale or long-term lease with write-down valuation tied to workforce housing development requirements
- Use of Public Funds for Construction/Ownership of Public Facilities within a Private Development
- Public construction of “shared” parking facilities

## NEXT STEPS

These findings may be refined based on additional input received from stakeholders. The consultant team will be hosting a forum with the HEOP and public to discuss these findings and concepts for enhancing the economic feasibility of delivering housing in Florence on October 10, 2017. Input obtained from the forum should be incorporated into the local Community Development Objectives that are contained in the HNA and EOA.

# APPENDIX TABLES

A-1

**Single Family Development Pro forma**

**City of Florence** — 60 **Detached Dwelling Units**

| **Profit and Loss Estimates** | **2017** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **INCOME** | **Year 0** | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Year 6** | **Year 7** | **Year 8** | **Year 9** | **Year 10** |
| Gross Undeveloped Acres (for tax payment estimates) | 12.50 | 12.08 | 10.00 | 7.92 | 5.83 | 3.75 | 1.67 | - | - | - | - |
| Net Developed Acres (annual absorption) | 0.42 | 2.08 | 2.08 | 2.08 | 2.08 | 2.08 | 1.67 | - | - | | |
| Sales Disposition Proceeds Per Unit | $385,000 | $385,000 | $396,550 | $420,700 | $459,710 | $517,408 | $599,817 | | | | $0 |
| Dwelling Unit Sales Absorption | 2 | 10 | 10 | 10 | 10 | 10 | 8 | | | | |
| Gross Income | $770,000 | $3,850,000 | $3,965,500 | $4,206,999 | $4,597,101 | $5,174,078 | $4,798,540 | $0 | $0 | $0 | $0 |
| Less Transaction Costs | ($38,500) | ($192,500) | ($198,275) | ($210,350) | ($229,855) | ($258,704) | ($239,927) | $0 | $0 | $0 | $0 |
| Less: Land Carry Cost & Prepaid Taxes | ($50,000) | ($48,333) | ($41,200) | ($33,595) | ($25,497) | ($16,883) | ($7,728) | $0 | $0 | $0 | $0 |
| **NET OPERATING INCOME (before debt service, equity and replacement reserves)** | $681,500 | $3,609,167 | $3,726,025 | $3,963,054 | $4,341,749 | $4,898,492 | $4,550,884 | $0 | $0 | $0 | $0 |
| less interest* | (32,712) | (32,712) | (32,712) | (32,712) | (32,712) | (32,712) | (32,712) | (32,712) | | | |
| less Loan Principal/Hard Cost | | | | | | | | | | | |
| less Advance Developer Equity | ($184,800) | ($400,400) | ($2,926,000) | ($2,926,000) | ($2,926,000) | ($2,926,000) | ($2,926,000) | ($2,926,000) | $ (348,589) | | |
| **CASH FLOW AVAILABLE (after debt & equity)** | **$463,988** | **$3,176,055** | **$767,313** | **$1,004,342** | **$1,383,037** | **$1,939,780** | **$1,592,172** | **($2,958,712)** | **($348,589)** | **$0** | **$0** |
| Reserve Fund (common area improvements) | | ($10,000) | ($10,000) | ($10,000) | ($10,000) | ($10,000) | ($10,000) | ($10,000) | | | |
| Cumultative Reserves Available | | $0 | $10,000 | $20,000 | $30,000 | $40,000 | $50,000 | $60,000 | | | |
| **NET PROFIT (before depreciation)** | **$463,988** | **$3,166,055** | **$757,313** | **$994,342** | **$1,373,037** | **$1,929,780** | **$1,582,172** | **($2,968,712)** | **($348,589)** | **$0** | **$0** |

| **Supportable Debt *** | |
|---|---|
| Supportable Debt (@125% coverage) | $545,200 |
| ** based on financing for initial 2 units* | |

| **Supportable Equity (for-profit developer)** | |
|---|---|
| Targeted Annual Avg. Rate of Return | 16% |
| Net present value on net profit | **$4,796,000** |

| **SUMMARY of Revenue Assumptions** | |
|---|---|
| Sale or Refinance Fees/Transaction Cost | 5.0% |
| Property Tax Rate Per Acre | $4,000 |
| Hard Cost to Sales Cost Ratio | 76.0% |
| Annual Sales Price escalation | 3.0% |
| Annual Prop. Tax Expense Rate escalation | 3.0% |

| **Residual Land Value Analysis** | **For-Profit Developer** |
|---|---|
| Supportable Debt | $5,452,000 |
| Supportable Equity (for project) | $4,796,000 |
| Residual Development Value | $10,248,000 |
| Development Cost | ($17,556,000) |
| Residual Land Value | **$2,940,000** |
| Residual Land Value per Dwelling Unit | **$49,000** |
| Residual Land Value per Net Acre | **$294,000** |
| Residual Land Value per Gross Acre*** | **$235,200** |
| *Avg. Densitiy (units per net acre)* | *6.0* |
| *Net Buildable Acres* | *10.00* |
| ****Gross Acres (@1.25 x net)* | *12.50* |

Source: FCS GROUP.

# A-2

**Single Family Development Pro forma**
**City of Florence** — 60 **Manufactured Dwelling Units**
**Profit and Loss Estimates**

| INCOME | Year 0 (2017) | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross Undeveloped Acres (for tax payment estimates) | 7.50 | 7.00 | 5.50 | 4.00 | 2.50 | 1.00 | - | - | - | - | - |
| Net Developed Acres (annual absorption) | 0.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.00 | - | - | - | | |
| Sales Disposition Proceeds Per Unit | $245,000 | $245,000 | $252,350 | $267,718 | $292,543 | $329,260 | $381,702 | | | | $0 |
| Dwelling Unit Sales Absorption | 4 | 12 | 12 | 12 | 12 | 8 | 0 | | | | |
| Gross Income | $980,000 | $2,940,000 | $3,028,200 | $3,212,617 | $3,510,514 | $2,634,076 | $0 | $0 | $0 | $0 | $0 |
| Less Transaction Costs | ($49,000) | ($147,000) | ($151,410) | ($160,631) | ($175,526) | ($131,704) | $0 | $0 | $0 | $0 | $0 |
| Less: Land Carry Cost & Prepaid Taxes | ($30,000) | ($28,000) | ($22,660) | ($16,974) | ($10,927) | ($4,502) | $0 | $0 | $0 | $0 | $0 |
| **NET OPERATING INCOME (before debt service, equity and replacement reserves)** | $901,000 | $2,765,000 | $2,854,130 | $3,035,012 | $3,324,061 | $2,497,870 | $0 | $0 | $0 | $0 | $0 |
| less interest* | (32,712) | (32,712) | (32,712) | (32,712) | (32,712) | (32,712) | (32,712) | (32,712) | | | |
| less Loan Principal/Hard Cost | | | | | | | | | | | |
| less Advance Developer Equity | ($294,000) | ($392,000) | ($2,058,000) | ($2,058,000) | ($2,058,000) | ($2,058,000) | ($2,058,000) | ($2,058,000) | $ (348,589) | | |
| **CASH FLOW AVAILABLE (after debt & equity)** | **$574,288** | **$2,340,288** | **$763,418** | **$944,300** | **$1,233,349** | **$407,158** | **($2,090,712)** | **($2,090,712)** | **($348,589)** | **$0** | **$0** |
| Reserve Fund (common area improvements) | | ($10,000) | ($10,000) | ($10,000) | ($10,000) | ($10,000) | ($10,000) | ($10,000) | | | |
| Cumulative Reserves Available | | $0 | $10,000 | $20,000 | $30,000 | $40,000 | $50,000 | $60,000 | | | |
| **NET PROFIT (before depreciation)** | **$574,288** | **$2,330,288** | **$753,418** | **$934,300** | **$1,223,349** | **$397,158** | **($2,100,712)** | **($2,100,712)** | **($348,589)** | **$0** | **$0** |

| **Supportable Debt *** | |
|---|---|
| Supportable Debt (@125% coverage) | $720,800 |
| ** based on financing for initial 2 units* | |

| **Supportable Equity (for-profit developer)** | |
|---|---|
| Targeted Annual Avg. Rate of Return | 16% |
| Net present value on net profit | **$2,495,000** |

| **SUMMARY of Revenue Assumptions** | |
|---|---|
| Sale or Refinance Fees/Transaction Cost | 5.0% |
| Property Tax Rate Per Acre | $4,000 |
| Hard Cost to Sales Cost Ratio | 70.0% |
| Annual Sales Price escalation | 3.0% |
| Annual Prop. Tax Expense Rate escalation | 3.0% |

| **Residual Land Value Analysis** | **For-Profit Developer** |
|---|---|
| Supportable Debt | $7,208,000 |
| Supportable Equity (for project) | $2,495,000 |
| Residual Development Value | $9,703,000 |
| Development Cost | ($16,590,000) |
| Residual Land Value | **$2,816,000** |
| Residual Land Value per Dwelling Unit | **$46,933** |
| Residual Land Value per Net Acre | **$469,333** |
| Residual Land Value per Gross Acre*** | **$375,467** |
| *Avg. Densitiy (units per net acre)* | *10.0* |
| *Net Buildable Acres* | *6.00* |
| ****Gross Acres (@1.25 x net)* | *7.50* |

Source: FCS GROUP.

# A-3

**Townhome Development Pro forma**

**City of Florence** — 60 **Townhomes**

**Profit and Loss Estimates** — 2017

| INCOME | Year 0 (presales) | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Undeveloped Acres (for tax payment estimates) | 6.00 | 5.00 | 4.00 | 3.00 | 2.00 | 1.00 | - | (1.00) | (2.00) | (3.00) | |
| Developed Acres (annual absorption) | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | |
| Sales Disposition Proceeds Per Unit | $225,000 | $225,000 | $231,750 | $245,864 | $268,662 | $302,381 | $350,543 | $418,566 | $514,784 | $652,113 | $0 |
| Dwelling Unit Sales Absorption | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | |
| Gross Income | $1,350,000 | $1,350,000 | $1,390,500 | $1,475,181 | $1,611,971 | $1,814,287 | $2,103,256 | $2,511,398 | $3,088,702 | $3,912,676 | $0 |
| Less Transaction Costs | ($67,500) | ($67,500) | ($69,525) | ($73,759) | ($80,599) | ($90,714) | ($105,163) | ($125,570) | ($154,435) | ($195,634) | $0 |
| Less: Land Carry Cost & Prepaid Taxes** | ($24,000) | ($20,000) | ($16,480) | ($12,731) | ($8,742) | ($4,502) | $0 | $4,776 | $9,839 | $12,000 | $0 |
| **NET OPERATING INCOME (before debt service, equity and replacement reserves)** | $1,258,500 | $1,262,500 | $1,304,495 | $1,388,692 | $1,522,630 | $1,719,071 | $1,998,093 | $2,390,604 | $2,944,106 | $3,729,042 | $0 |
| less interest* | (60,408) | (60,408) | (60,408) | (60,408) | (60,408) | (60,408) | (60,408) | (60,408) | (60,408) | (60,408) | |
| less Loan Principal/Hard Cost | | | | | | | | | | | |
| less Advance Developer Equity | ($270,000) | ($810,000) | ($1,080,000) | ($1,080,000) | ($1,080,000) | ($1,080,000) | ($1,080,000) | ($1,080,000) | ($1,080,000) | ($1,080,000) | ($509,744) |
| **CASH FLOW AVAILABLE (after debt & equity** | **$928,092** | **$392,092** | **$164,087** | **$248,284** | **$382,222** | **$578,663** | **$857,685** | **$1,250,196** | **$1,803,698** | **$2,588,634** | **($509,744)** |
| Reserve Fund (common area improvements) | | ($10,000) | ($10,000) | ($10,000) | ($10,000) | ($10,000) | ($10,000) | ($10,000) | ($10,000) | ($10,000) | |
| Cumulative Reserves Available | | $0 | $10,000 | $20,000 | $30,000 | $40,000 | $50,000 | $60,000 | $70,000 | $80,000 | |
| **NET PROFIT (before depreciation)** | **$928,092** | **$382,092** | **$154,087** | **$238,284** | **$372,222** | **$568,663** | **$847,685** | **$1,240,196** | **$1,793,698** | **$2,578,634** | **($509,744)** |

| **Supportable Debt *** | |
|---|---|
| Supportable Debt (@125% coverage) | $1,006,800 |
| ** based on financing for initial 6 units* | |

| **Supportable Equity (for-profit developer)** | |
|---|---|
| Targeted Annual Avg. Rate of Return | 16% |
| Net present value on net profit | **$3,360,000** |

| **Residual Land Value Analysis** | **For-Profit Developer** |
|---|---|
| Supportable Debt | $10,068,000 |
| Supportable Equity (for project) | $3,360,000 |
| Residual Development Value | $13,428,000 |
| Development Cost | ($10,800,000) |
| Residual Land Value | **$2,628,000** |
| Residual Land Value per Dwelling Unit | **$43,800** |
| Residual Land Value per Net Buildable Acre | **$526,000** |
| Residual Land Value per Gross Acre*** | **$438,000** |
| *Avg. Densitiy (units per net acre)* | *12* |
| *Net Buildable Acres* | *5.00* |
| ****Gross Acres (@1.2 x net)* | *6.00* |

| ****SUMMARY of Revenue Assumptions** | |
|---|---|
| Sale or Refinance Fees/Transaction Cost | 5.0% |
| Property Tax Rate Per Acre (Raw land) | $4,000 |
| Construction Cost to Sales Cost Ratio | 80.0% |
| Annual Sales Price escalation | 3.0% |
| Annual Prop. Tax Expense Rate escalation | 3.0% |

Source: FCS GROUP.

A-4

**Apartments Development Pro forma: For Profit Developer**
**City of Florence** 60 **Apartments**
**Profit and Loss Estimates**

| **INCOME** | **2017 Year 0** | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Year 6** | **Year 7** | **Year 8** | **Year 9** | **Year 10** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Avg. Monthly Rental Income Per Unit | | $1,000 | $1,030 | $1,061 | $1,093 | $1,126 | $1,159 | $1,194 | $1,230 | $1,267 | $1,305 |
| Monthly Rental Income Per Parking Stall | | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Gross Annual Rental Income Per Unit | | $720,000 | $741,600 | $763,848 | $786,763 | $810,366 | $834,677 | $859,718 | $885,509 | $912,074 | $939,437 |
| Less Vacancy Allowance | | ($36,000) | ($37,080) | ($38,192) | ($39,338) | ($40,518) | ($41,734) | ($42,986) | ($44,275) | ($45,604) | ($46,972) |
| Less Non-Pass Through Op. Expense | | ($10,260) | ($10,568) | ($10,885) | ($11,211) | ($11,548) | ($11,894) | ($12,251) | ($12,619) | ($12,997) | ($13,387) |
| Less Property Tax | ($16,000) | ($84,428) | ($86,960) | ($89,569) | ($92,256) | ($95,024) | ($97,875) | ($100,811) | ($103,835) | ($106,950) | ($110,159) |
| **NET OPERATING INCOME (before debt service and replacement reserves)** | ($16,000) | $589,312 | $606,992 | $625,202 | $643,958 | $663,276 | $683,175 | $703,670 | $724,780 | $746,523 | $768,919 |
| less Debt Service* | | ($303,600) | ($303,600) | ($303,600) | ($303,600) | ($303,600) | ($303,600) | ($303,600) | ($303,600) | ($303,600) | ($303,600) |
| less Advance Developer Cash Equity | ($500,000) | | | | | | | | | | |
| **CASH FLOW AVAILABLE (after debt & equity)** | **($500,000)** | **$285,712** | **$303,392** | **$321,602** | **$340,358** | **$359,676** | **$379,575** | **$400,070** | **$421,180** | **$442,923** | **$465,319** |
| Reserve Fund (tenant improvements) | $0 | ($14,286) | ($15,170) | ($16,080) | ($17,018) | ($17,984) | ($18,979) | ($20,003) | ($21,059) | ($22,146) | |
| Cumulative Reserves Available | $0 | $0 | $14,286 | $29,455 | $45,535 | $62,553 | $80,537 | $99,516 | $119,519 | $140,578 | |
| Sale or Refinance in Year 10 | | | | | | | | | | | $7,368,000 |
| **NET PROFIT (before depreciation)** | **($500,000)** | **$271,427** | **$288,222** | **$305,521** | **$323,340** | **$341,693** | **$360,596** | **$380,066** | **$400,121** | **$420,777** | **$7,833,319** |

| **Supportable Debt *** | |
|---|---|
| Supportable Annual Payment (@120% coverage) | $521,001 |
| Supportable Debt @ 6% interest, 15 year term) | **$5,060,000** |

| **Supportable Equity (for-profit developer)** | |
|---|---|
| Targeted Annual Avg. Rate of Return | 16% |
| Net present value on net profit | **$2,393,000** |

| **SUMMARY of Revenue Assumptions** | |
|---|---|
| Year 10 Sale or Refinance Fees/Costs | 5.0% |
| Year 10 Cap Rate | 6.0% |
| Year 10 Sale or Refinance Value | $7,368,000 |
| Total Property Tax Rate Per $1000 AV | $16.1023 |
| Ratio of Assessed Value (AV) to Market Value | 90.4% |
| Annual Lease Rate escalation | 3.0% |
| Annual Op. Expense Rate escalation | 3.0% |

| **Residual Land Value Analysis** | **For-Profit Developer** |
|---|---|
| Supportable Debt | $5,060,000 |
| Supportable Equity | $2,393,000 |
| Less Debt Principal in Yr. 10 | ($2,562,000) |
| Residual Development Value | $4,891,000 |
| Development Cost | ($5,800,000) |
| Residual Land Value | **($909,000)** |
| Residual Land Value per Dwelling Unit | **($15,150)** |
| Residual Land Value per Net Acre | **($272,700)** |
| Residual Land Value per Gross Acre | **($227,300)** |
| *Avg. Densitiy (units per acre)* | *18* |
| *Net Buildable Acres* | *3.33* |
| ****Gross Acres (@1.2 x net)* | *4.00* |

Source: FCS GROUP.

# A-5

**Apartments Development Pro forma: Non-Profit Developer**
**City of Florence** 60 **Apartments**

| **Profit and Loss Estimates** | **2017** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **INCOME** | **Year 0** | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Year 6** | **Year 7** | **Year 8** | **Year 9** | **Year 10** |
| Avg. Monthly Rental Income Per Unit | | $800 | $824 | $849 | $874 | $900 | $927 | $955 | $984 | $1,013 | $1,044 |
| Monthly Rental Income Per Parking Stall | | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Gross Annual Rental Income Per Unit | | $576,000 | $593,280 | $611,078 | $629,411 | $648,293 | $667,742 | $687,774 | $708,407 | $729,660 | $751,549 |
| Less Vacancy Allowance | | ($28,800) | ($29,664) | ($30,554) | ($31,471) | ($32,415) | ($33,387) | ($34,389) | ($35,420) | ($36,483) | ($37,577) |
| Less Non-Pass Through Op. Expense | | ($8,208) | ($8,454) | ($8,708) | ($8,969) | ($9,238) | ($9,515) | ($9,801) | ($10,095) | ($10,398) | ($10,710) |
| Less Property Tax | ($16,000) | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **NET OPERATING INCOME (before debt service and replacement reserves)** | ($16,000) | $538,992 | $555,162 | $571,817 | $588,971 | $606,640 | $624,839 | $643,585 | $662,892 | $682,779 | $703,262 |
| less Debt Service* | | ($303,600) | ($303,600) | ($303,600) | ($303,600) | ($303,600) | ($303,600) | ($303,600) | ($303,600) | ($303,600) | ($303,600) |
| less Advance Developer Cash Equity | ($500,000) | | | | | | | | | | |
| **CASH FLOW AVAILABLE (after debt & equity)** | **($500,000)** | **$235,392** | **$251,562** | **$268,217** | **$285,371** | **$303,040** | **$321,239** | **$339,985** | **$359,292** | **$379,179** | **$399,662** |
| Reserve Fund (tenant improvements) | $0 | ($11,770) | ($12,578) | ($13,411) | ($14,269) | ($15,152) | ($16,062) | ($16,999) | ($17,965) | ($18,959) | |
| Cumulative Reserves Available | $0 | $0 | $11,770 | $24,348 | $37,759 | $52,027 | $67,179 | $83,241 | $100,240 | $118,205 | |
| Sale or Refinance in Year 10 | | | | | | | | | | | $6,328,000 |
| **NET PROFIT (before depreciation)** | **($500,000)** | **$223,622** | **$238,984** | **$254,806** | **$271,103** | **$287,888** | **$305,177** | **$322,985** | **$341,328** | **$360,220** | **$6,727,662** |

| **Supportable Debt *** | |
|---|---|
| Supportable Annual Payment (@120% coverage) | $476,514 |
| Supportable Debt @ 6% interest, 15 year term) | **$4,628,000** |

| **Supportable Equity (non-profit developer)** | |
|---|---|
| Targeted Annual Avg. Rate of Return | 5% |
| Net present value on net profit | **$5,380,000** |

| **Residual Land Value Analysis** | **Non-Profit Developer** |
|---|---|
| Supportable Debt | $4,628,000 |
| Supportable Equity | $5,380,000 |
| Less Debt Principal in Yr. 10 | ($2,562,000) |
| Residual Development Value | $7,446,000 |
| Development Cost | ($5,800,000) |
| Residual Land Value | **$1,646,000** |
| Residual Land Value per Dwelling Unit | **$27,433** |
| Residual Land Value per Net Acre | **$493,800** |
| Residual Land Value per Gross Acre | **$411,500** |
| *Avg. Densitiy (units per acre)* | *18* |
| *Net Buildable Acres* | *3.33* |
| ****Gross Acres (@1.2 x net)* | *4.00* |

| **SUMMARY of Revenue Assumptions** | |
|---|---|
| Year 10 Sale or Refinance Fees/Costs | 5.0% |
| Year 10 Cap Rate | 6.0% |
| Year 10 Sale or Refinance Value | $6,328,000 |
| Total Property Tax Rate Per $1000 AV | $0.0000 |
| Ratio of Assessed Value (AV) to Market Value | 90.4% |
| Annual Lease Rate escalation | 3.0% |
| Annual Op. Expense Rate escalation | 3.0% |

Source: FCS GROUP.

# A-6

| Mixed Use: Apartments over Commercial | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Completion of:** | **36** | **Apartments** | 2 levels | | | | | | | | |
| | **10,000** | **SF Commercial** | | | | | | | | | |

| **Profit and Loss Estimates** | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Rev. escalation | | | 1.025 | 1.051 | 1.077 | 1.104 | 1.131 | 1.160 | 1.189 | 1.218 | 1.249 |
| Op. Ex escalation | | | 1.030 | 1.061 | 1.093 | 1.126 | 1.159 | 1.194 | 1.230 | 1.267 | 1.305 |
| **INCOME** | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
| **Apartment Income** | | | | | | | | | | | |
| Monthly Rental Income Per Unit | | $1,200 | $1,230 | $1,261 | $1,292 | $1,325 | $1,358 | $1,392 | $1,426 | $1,462 | $1,499 |
| Monthly Rental Income Per Parking Stall | | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Gross Rental Income | | $518,400 | $531,360 | $544,644 | $558,260 | $572,217 | $586,522 | $601,185 | $616,215 | $631,620 | $647,411 |
| Less Vacancy Allowance | | ($25,920) | ($26,568) | ($27,232) | ($27,913) | ($28,611) | ($29,326) | ($30,059) | ($30,811) | ($31,581) | ($32,371) |
| Less Non-Pass Through Op. Expense | | ($10,200) | ($10,506) | ($10,821) | ($11,146) | ($11,480) | ($11,825) | ($12,179) | ($12,545) | ($12,921) | ($13,309) |
| **NET OPERATING INCOME (before debt service and replacement reserves)** | | $482,280 | $494,286 | $506,591 | $519,201 | $532,126 | $545,371 | $558,946 | $572,859 | $587,118 | $601,731 |
| **Commercial Income** | | | | | | | | | | | |
| Monthly Rental Income Per SF | | $15.00 | $15.38 | $15.76 | $16.15 | $16.56 | $16.97 | $17.40 | $17.83 | $18.28 | $18.73 |
| Gross Rental Income | | $150,000 | $153,750 | $157,594 | $161,534 | $165,572 | $169,711 | $173,954 | $178,303 | $182,760 | $187,329 |
| Less Vacancy Allowance | | ($15,000) | ($15,375) | ($15,759) | ($16,153) | ($16,557) | ($16,971) | ($17,395) | ($17,830) | ($18,276) | ($18,733) |
| Less Non-Pass Through Op. Expense | | ($10,000) | ($10,000) | ($10,000) | ($10,000) | ($10,000) | ($10,000) | ($10,000) | ($10,000) | ($10,000) | ($10,000) |
| **NET OPERATING INCOME (before debt service and replacement reserves)** | | $125,000 | $128,375 | $131,834 | $135,380 | $139,015 | $142,740 | $146,559 | $150,473 | $154,484 | $158,597 |
| **Total NOI** | | **$607,280** | **$622,661** | **$638,425** | **$654,582** | **$671,140** | **$688,111** | **$705,505** | **$723,332** | **$741,602** | **$760,328** |
| less Debt Service* | | ($109,862) | ($109,862) | ($109,862) | ($109,862) | ($109,862) | ($109,862) | ($109,862) | ($109,862) | ($109,862) | ($109,862) |
| less Advance Developer Cash Equity | ($500,000) | | | | | | | | | | |
| **CASH FLOW AVAILABLE (after debt & equity** | **($500,000)** | **$497,418** | **$512,799** | **$528,563** | **$544,720** | **$561,278** | **$578,249** | **$595,643** | **$613,470** | **$631,740** | **$650,466** |
| Reserve Fund (tenant improvements) | $0 | ($24,871) | ($25,640) | ($26,428) | ($27,236) | ($28,064) | ($28,912) | ($29,782) | ($30,673) | ($31,587) | |
| Cumulative Reserves Available | $0 | $0 | $24,871 | $50,511 | $76,939 | $104,175 | $132,239 | $161,151 | $190,934 | $221,607 | |
| Sale or Refinance in Year 10 | | | | | | | | | | | $10,299,000 |
| **NET PROFIT (before depreciation)** | **($500,000)** | **$472,547** | **$487,159** | **$502,135** | **$517,484** | **$533,214** | **$549,337** | **$565,861** | **$582,796** | **$600,153** | **$10,949,466** |

| **Supportable Debt *** | |
|---|---|
| Supportable Annual Payment (@120% coverage) | $109,862 |
| Supportable Debt @ 6% interest, 15 year term) | **($1,067,007)** |

| **SUMMARY of Revenue Assumptions** | |
|---|---|
| Year 10 Sale or Refinance Fees/Costs | 5.0% |
| Year 10 Cap Rate | 6.0% |
| Year 10 Sale or Refinance Value | $10,299,000 |
| Total Property Tax Rate Per $1000 AV | $16.1023 |
| Ratio of Assessed Value (AV) to Market Value | 90.4% |
| Annual Lease Rate escalation | 2.5% |
| Annual Op. Expense Rate escalation | 3.0% |

| **Supportable Equity (for-profit developer)** | |
|---|---|
| Targeted Annual Avg. Rate of Return | 16% |
| Net present value on net profit | **$3,771,000** |

| **Residual Land Value Analysis** | **For-Profit Developer** |
|---|---|
| Supportable Debt | $1,067,007 |
| Supportable Equity | $3,771,000 |
| Less Debt Principal in Yr. 10 | ($613,291) |
| Residual Development Value | $4,224,715 |
| Development Cost | ($5,139,500) |
| Residual Land Value | **($914,785)** |
| Residual Land Value per Dwelling Unit | **($25,411)** |
| Residual Land Value per Net Acre | **($609,856)** |
| Residual Land Value per Gross Acre | **($530,300)** |
| *Avg. Densitiy (units per acre)* | *24* |
| *Net Buildable Acres* | *1.50* |
| ****Gross Acres (@1.15 x net)* | *1.73* |

Source: FCS GROUP.