

Economic Diversification Plan

NAS JRB Willow Grove – Horsham Township, Pennsylvania



Community Meeting #4, Financial Feasibility Findings & Recommended Alternatives For Further Review

Presented by



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Agenda



- Introduction (LRA Subcommittee)
- Recap (BBP)
 - Revisions to the Economic and Fiscal Impact Analysis
 - Alternatives Tested
 - Evaluation Criteria
- Presentation of the Revised TRF/BCHG Proposal (TRF/BCHG)
- Preliminary Financial Feasibility Findings
 - Site Overview: Conditions, Plans and Costs (WRA)
 - Financial Feasibility of the Private Market Alternatives (BBP)
- Open Comment Period (Public)
- LRA Subcommittee Action Items
- Closing

Recap: Revisions to the Economic Impact Model



- Discussions and Collaboration with Warminster Township to Modify the Model
 - Increased fiscal costs per household
 - Decreased income tax generation from age-restricted housing
 - Added EIT/LST/BPT/Mercantile taxes for commercial

Recap: Alternatives Tested



- Shenandoah Woods Housing Area (7 alternatives)
 - S-2, Approve Warminster NOI (5 bldgs) for park/open space, raze remaining 35 bldgs for **new market rate “for sale” housing**
 - S-3, Approve Warminster NOI (5 bldgs) and **rehab** remaining housing (35 bldgs) for **market rate “for sale” housing** with park/open space
 - S-3b, same as S-3, but **“for sale” as age restricted housing**
 - S-5, Approve Warminster NOI (5 bldgs) and modified Aldie NOI (5 bldgs), and raze remaining housing (30 bldgs) for **new market rate “for sale” housing** with park/open space
 - S-8, Raze all buildings and construct **new market rate “for sale” housing** w/o park/open space
 - S-9, Same as S-8 but the existing road network is kept and brought up to code **NEW**
 - S-10, Revised TRF/BCHG Proposal **NEW**

- Jacksonville Road Housing Area (6 alternatives)
 - J-1, ATG Learning Academy NOI – modest rehab of 6 bldgs for **educational uses**
 - J-2, TRF/BCHG NOI – modest rehab of 6 bldgs for **homeless housing**
 - J-3, Rehab of 6 bldgs for **“for sale” market rate housing**
 - J-5, Raze 6 bldgs and rebuild **new market rate “for sale” housing**
 - J-6, Rehab as **professional offices**
 - J-8, Raze 6 bldgs and rebuild **new office buildings NEW**

Recap: Evaluation Criteria



I. Recap: Financial Feasibility

- **A. Development Costs**
 - Site preparation
 - Hard Costs
 - Soft costs, as % of hard costs
 - Total
- **B. Operating Statement**
 - Revenues
 - Expenses
 - Net operating income
- **C. Sources and Uses of Funds**
 - Total costs (uses)
 - Supportable funds (sources)
 - Supportable land acquisition value

Recap: Evaluation Criteria



II. Economic and Fiscal Impacts

■ A. Quantitative

- Fiscal
- Economic

■ B. Qualitative

- Impacts and constraints on adjacent land uses
- Transportation and related impacts
- Economic stability: region and communities near sites
- Growth potential of Reuse Alternative J-1: ATG Learning Academy
- Mitigation measures required, including any environmental work not covered by Navy
- Balanced Review

Presentation



Revised TRF / CBHG Proposal

Presentation



Preliminary Financial Feasibility Findings

Shenandoah Woods Site Analysis Methodology



- R-2 Zoning
- 12,500 SF Minimum Lot Size
- 50' Minimum Road Right Of Way
- 150' Minimum Road Centerline Radius
- 70' Minimum Lot Width at Road
- Preserve Forest Conservation Area

Shenandoah Woods Site Cost Components, Cont'd.



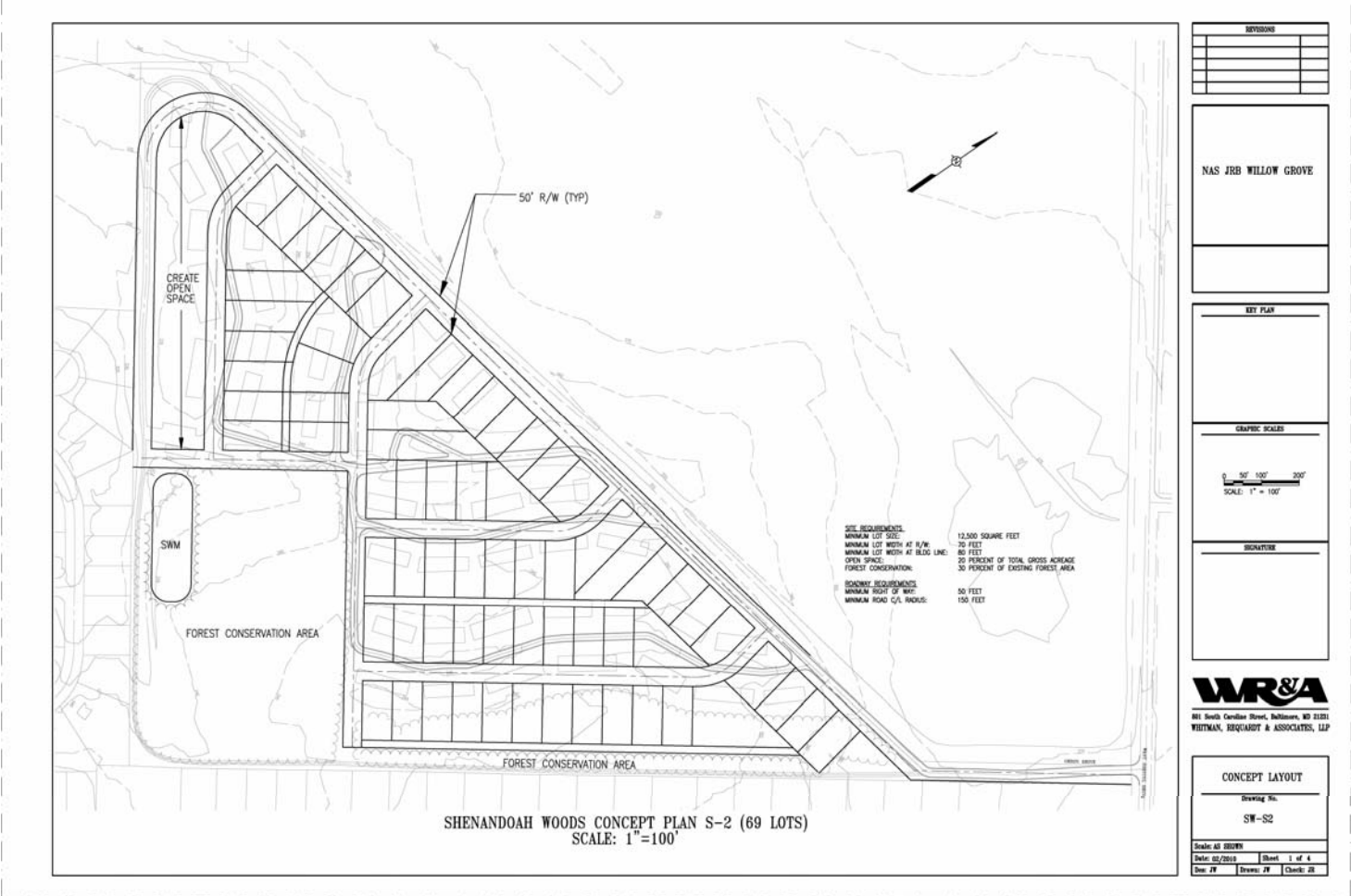
- Demolition
 - Mobilization
 - Forest Clearing
 - Building Demolition
 - Pavement Demolition
 - Curb and Gutter Demolition
 - Manhole Removal
 - Hauling Cost
 - Disposal Fees

Shenandoah Woods Site Cost Components, Cont'd.

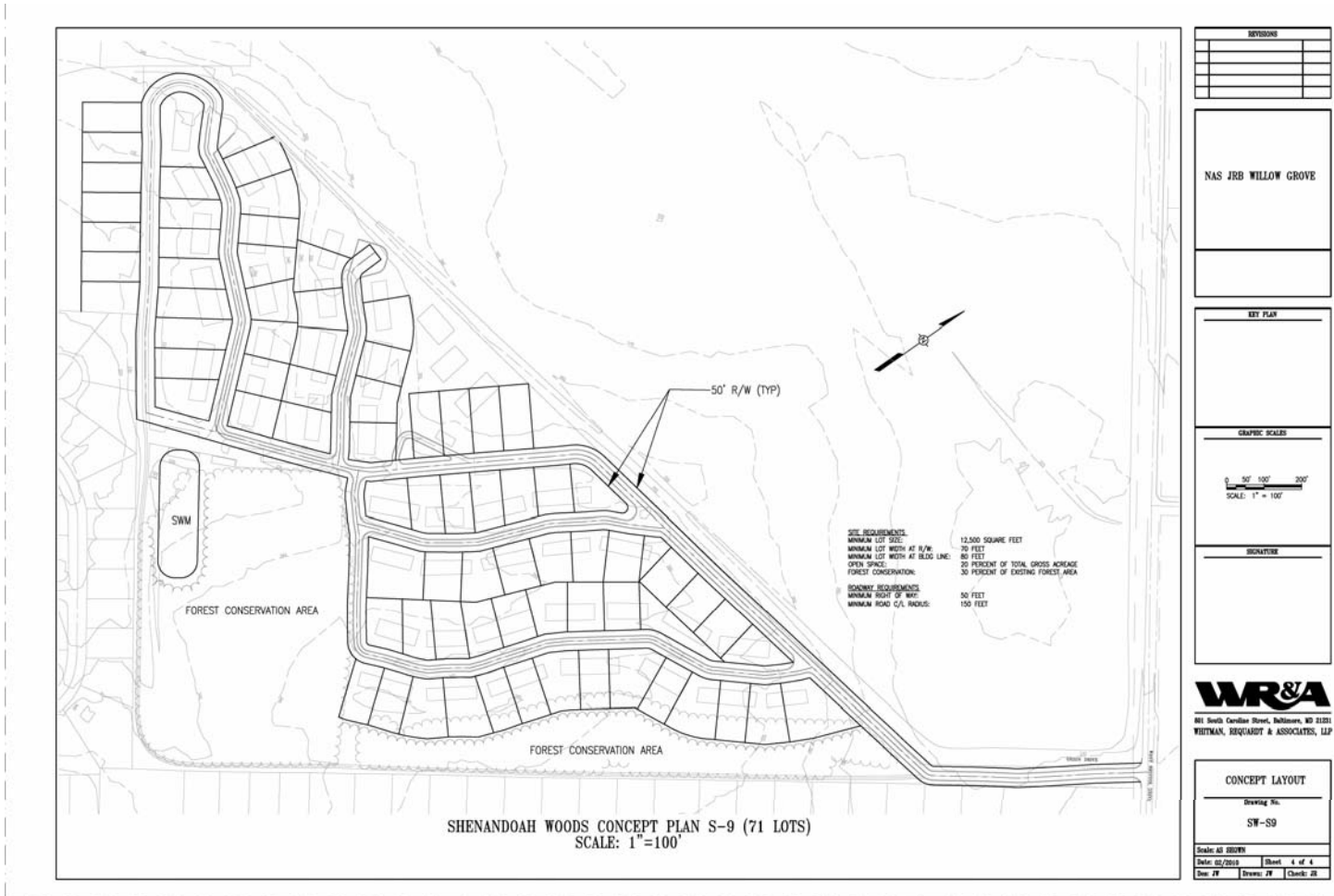


- Site Work
 - Grading
 - Roads and Paving
 - Sediment and Erosion Control
 - Stormwater Management
 - Storm Drain System
 - Water and Fire Hydrants
 - Sanitary Sewer
 - Natural Gas
 - Underground Telephone
 - Underground Electrical
 - Street Trees and Street Lighting
 - Landscaping

Shenandoah Woods S-2 Site and Building Analysis



Shenandoah Woods S-9 Site and Building Analysis



Shenandoah Woods Alternatives Summary



	Remove Structures	Clear Site	Infrastructure	New Housing Units	Rehab Units	Park/Open Space
S-2	30 Bldgs	Yes	New	69	-0-	Yes
S-3	No	No	Existing	-0-	177	Yes
S-5	35 Bldgs	Yes	New	61	-0-	Yes
S-8	All Bldgs	Yes	New	81	-0-	No
S-9	All Bldgs	Yes	Existing	71	All	Yes
S-10	No	No	Existing	-0-	Yes	Yes

Jacksonville Road Site Analysis Methodology



- R-2 Zoning
- 25,000 SF Minimum Lot Size
- 100' Minimum Lot Width at Road

Jacksonville Road Site Cost Components, Cont'd.



- Demolition
 - Mobilization
 - Building Demolition
 - Driveway Demolition
 - Hauling Cost
 - Disposal Fees

Jacksonville Road Site Cost Components, Cont'd.



- Site Work
 - Grading
 - Parking Lots
 - Sediment and Erosion Control
 - Stormwater Management
 - Landscaping

Jacksonville Road Alternatives Summary



	Remove Structures	Clear Site	Use	New Housing Units	Rehab Units
J-1	No	No	Education	-0-	6
J-2	No	No	Homeless	-0-	6
J-3	No	No	For sale housing	-0-	6
J-5	Yes	Yes	New housing	4	-0-
J-6	No	No	Office	-0-	6
J-8	Yes	Yes	New Office	-0-	6

Financial Feasibility Analysis



Analysis Objective: Determine the financial feasibility and supportable acquisition cost for each of the scenarios contemplated for the two sites (Shenandoah Woods & Jacksonville Road).

Analysis Constraints:

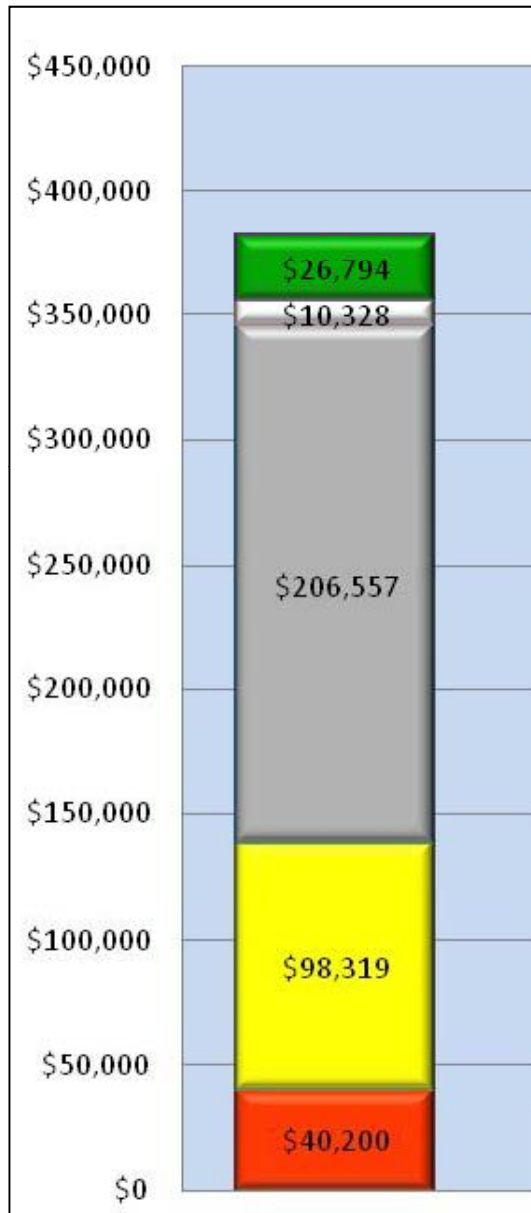
- Demolition / Sitework Costs (Source: WR&A)
- New Construction / Renovation Costs (NAHB, WR&A, RS Means)
- Sales Price / Income (BBP Market Analysis & Broker Interviews)

Shenandoah Woods: Alternatives Considered



Alternative	Description	ALDIE (Five Buildings)	Warminster Park	New Single Family	Renovated Existing Units
S-2	Demo 35 buildings & Build 69 For-Sale SF Homes	N	Y	69	-
S-3	Renovate 175 Townhome Units - Sell	N	Y	-	175
S-5	Demo 30 buildings & Build 61 For-Sale SF Homes	Y	Y	61	-
S-8	Demo 40 buildings & Build 81 For-Sale SF Homes	N	N	81	-
S-9	Demo 40 buildings & Build 71 For-Sale SF Homes using existing roads	N	N	71	-
S-10	TRF Plan - Mix of Single Family and Major Rennovations	N	N	25	88

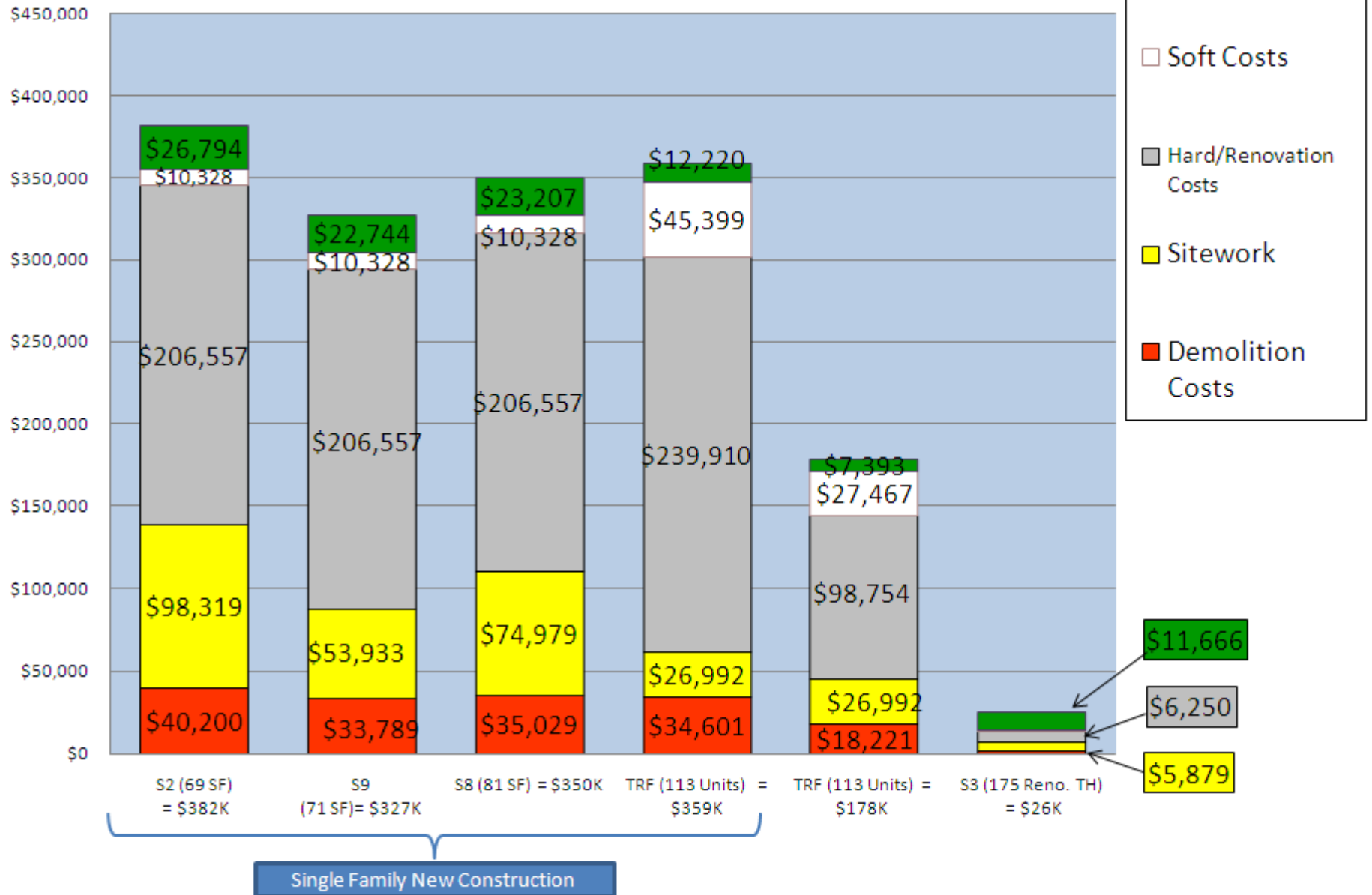
Shenandoah Woods: Per Unit Cost Example, S2



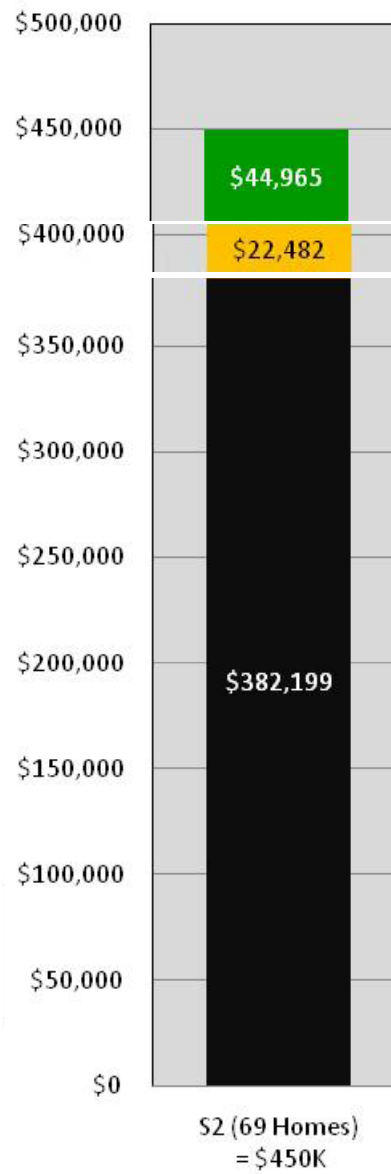
Per Unit Cost for Alternative S2 (69 Single Family Units)

- Total per Unit = **\$382,000**
- Demolition Costs = 10% of total unit costs
- Site Work Costs = 26% of total unit costs

Shenandoah Woods- Hard & Soft Cost Comparison (Per Unit)

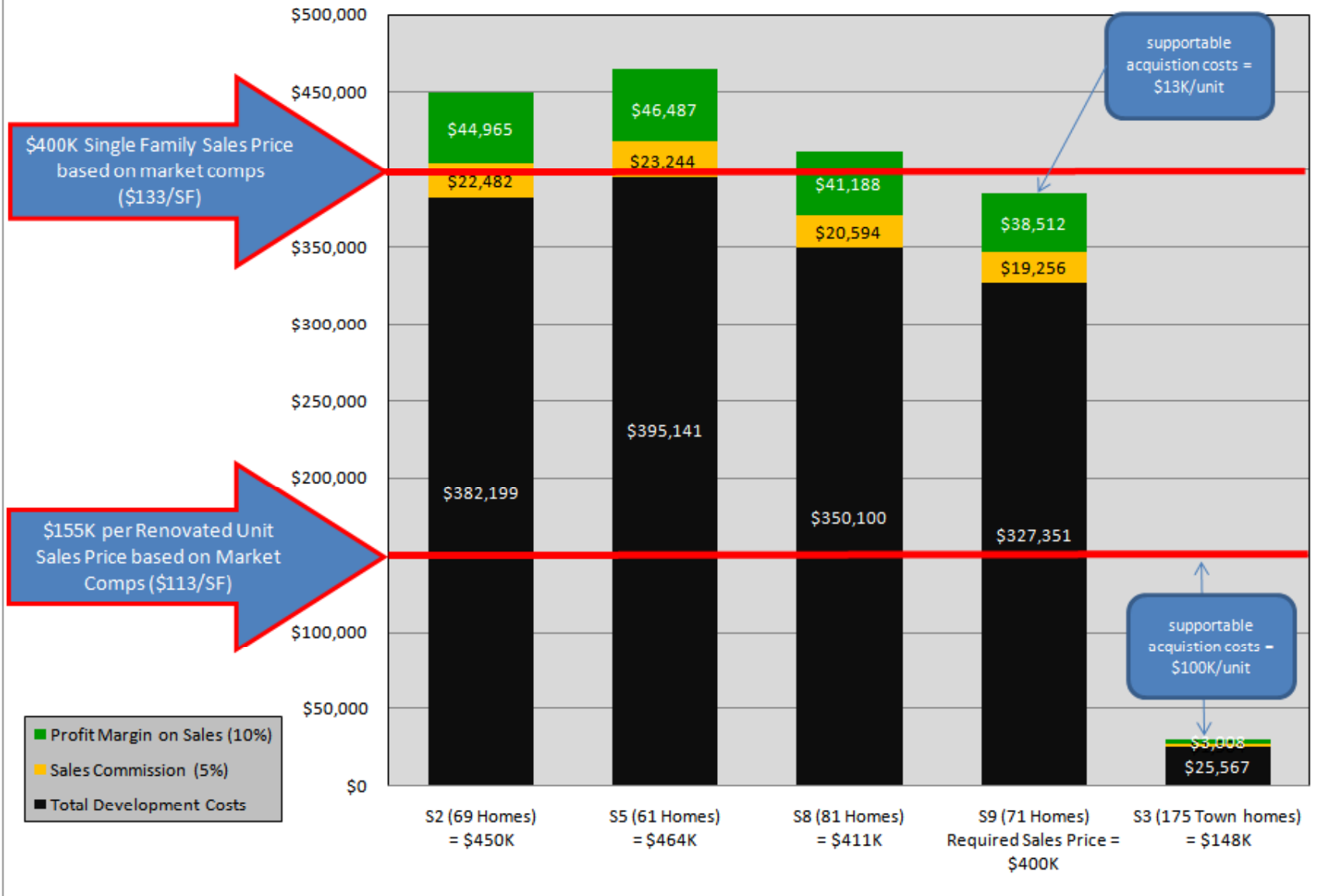


Shenandoah Woods Current Economic Conditions

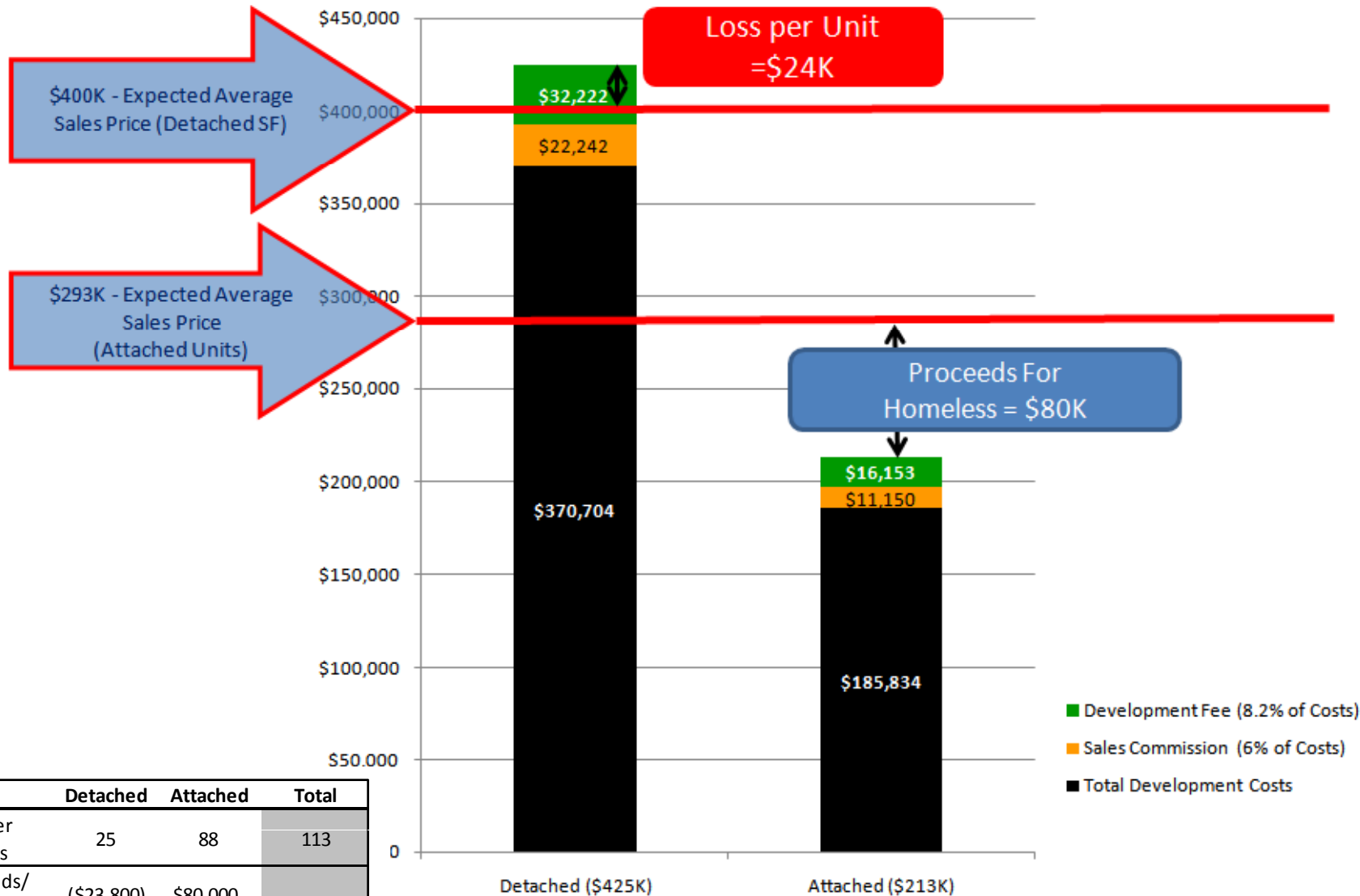


Development Costs
+ Sales Commission (5% of Sales Price)
+ Developer Profit (10% of Sales Price)
= Required Sales Price

Shenandoah Woods - Required Sales Price by Alternative



TRF - Per Unit Sales Proceeds After Costs, Commissions & fees



	Detached	Attached	Total
Number of Units	25	88	113
Proceeds/(Loss)	(\$23,800)	\$80,000	
Total	(\$595,000)	\$7,040,000	\$6,445,000

SHENANDOAH WOODS - FINDINGS SUMMARY

Alternative	Description	ALDIE (Five Buildings)	Warminster Park	Single Family	Renovated Existing Units	Feasible (Y/N)	Supportable Acquisition Costs to DOD
S-2	Demo 35 buildings & Build 69 For-Sale SF Homes	N	Y	69	-	N	NA
S-3	Renovate 175 Townhome Units - Sell	N	Y	-	175	Y	\$17,500,000
S-5	Demo 30 buildings & Build 61 For-Sale SF Homes	Y	Y	61	-	N	NA
S-8	Demo 40 buildings & Build 81 For-Sale SF Homes	N	N	81	-	N	NA
S-9	Demo 40 buildings & Build 71 For-Sale SF Homes using existing roads	N	N	71	-	Y	\$1,000,000
S-10	TRF Plan - Build 25 Single Family and Major Renovations (88)	N	N	25	88	Y	\$6,000,000*

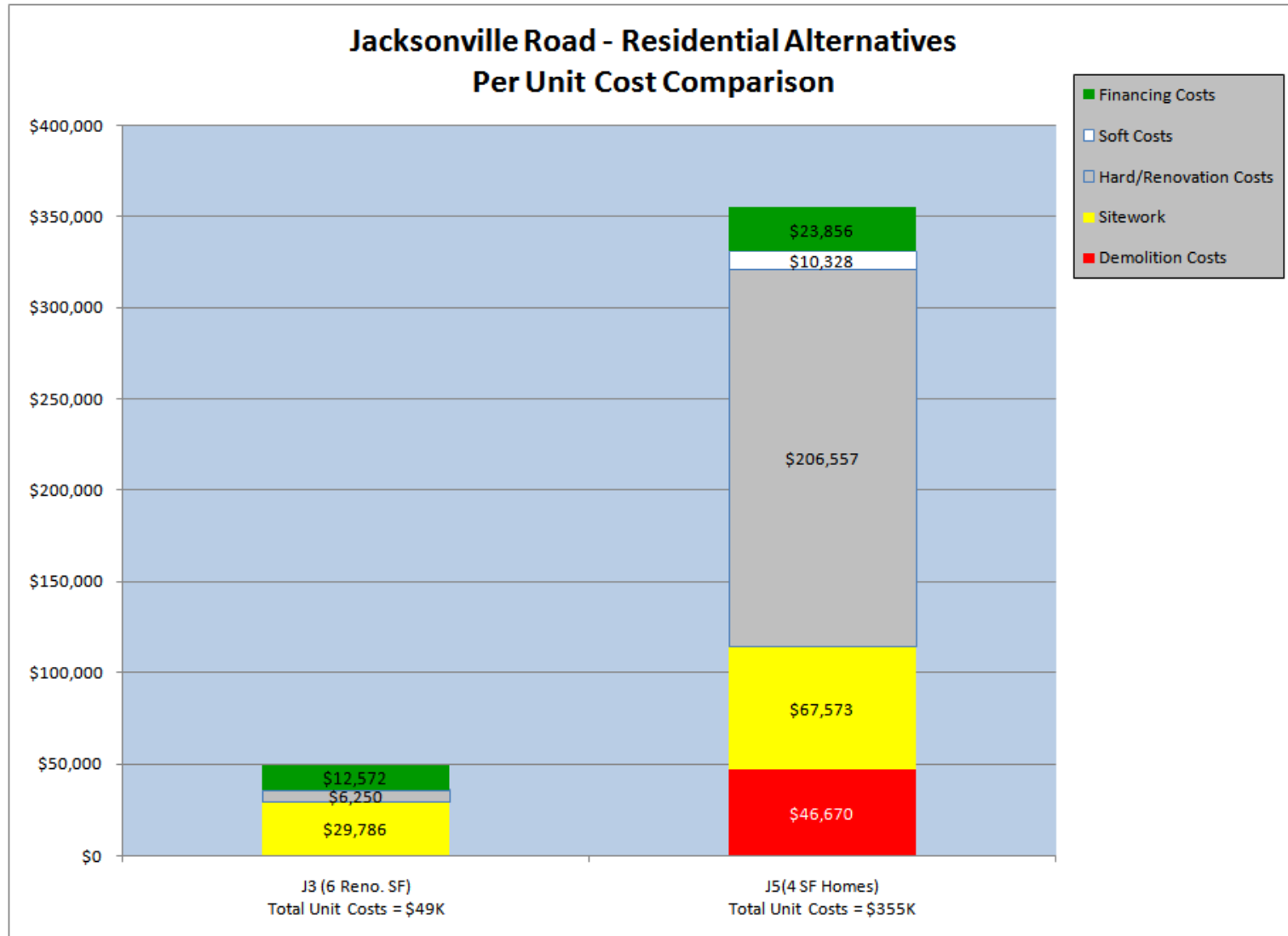
* Proceeds could be used to pay DoD for property and capitalize the Homeless Assistance Fund (HAF); market comp for land value per unit may be 10% of total development cost

Jacksonville Road: Alternatives Considered

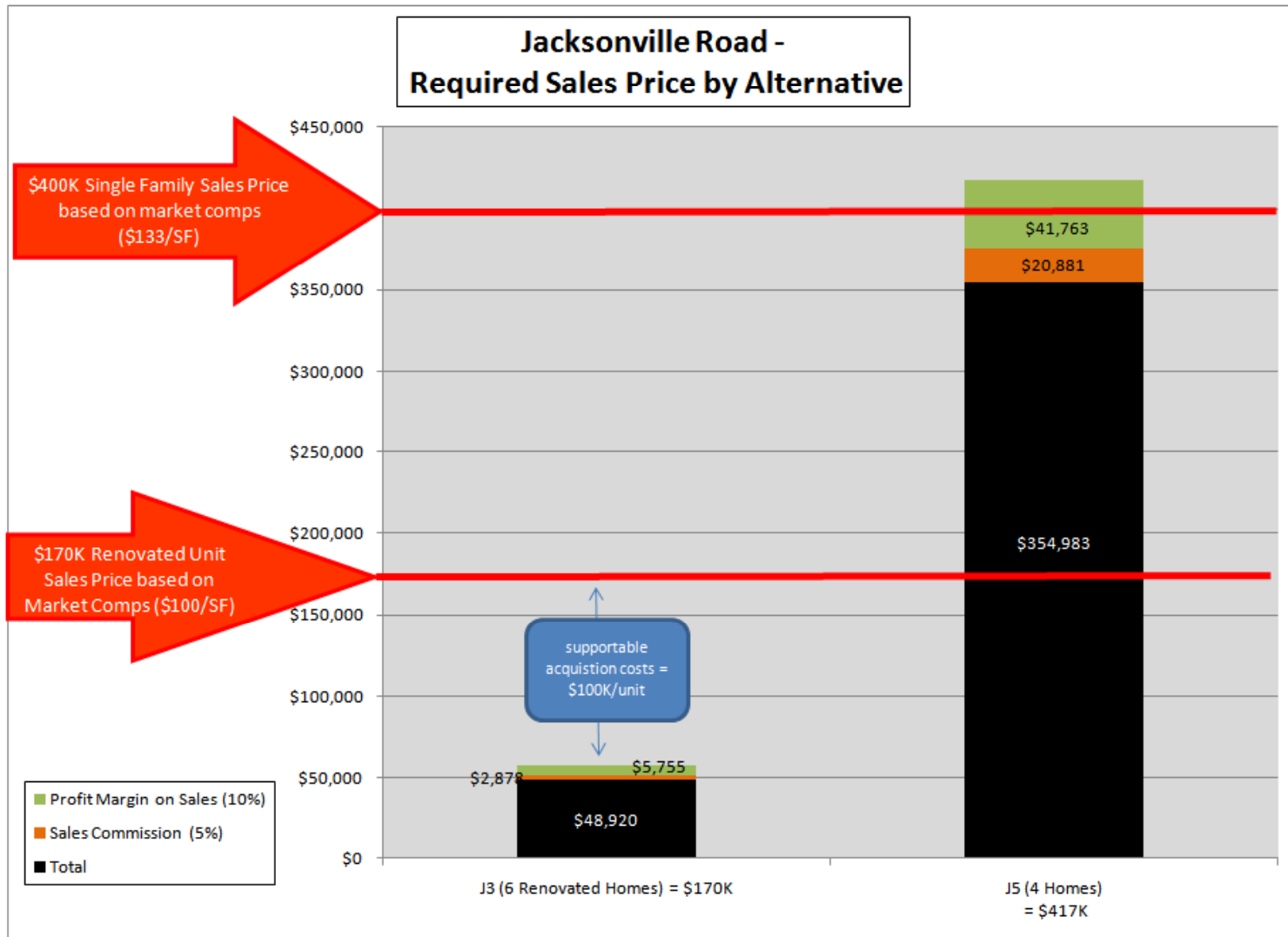


Alternative	Description	New Single Family	Renovated Existing Units	Square Feet of Office
J-1	ATG Learning Academy	-	6	10,200
J-2	BCHG Homeless Housing	-	6	-
J-3	Renovate 6 Single Family	-	6	-
J-5	Demo 6 buildings build 4 new Single Family	4	-	-
J-6	Renovate 6 units for office	-	-	10,200
J-8	Demo 6 buildings build 17,000 SF of Office	-	-	17,000

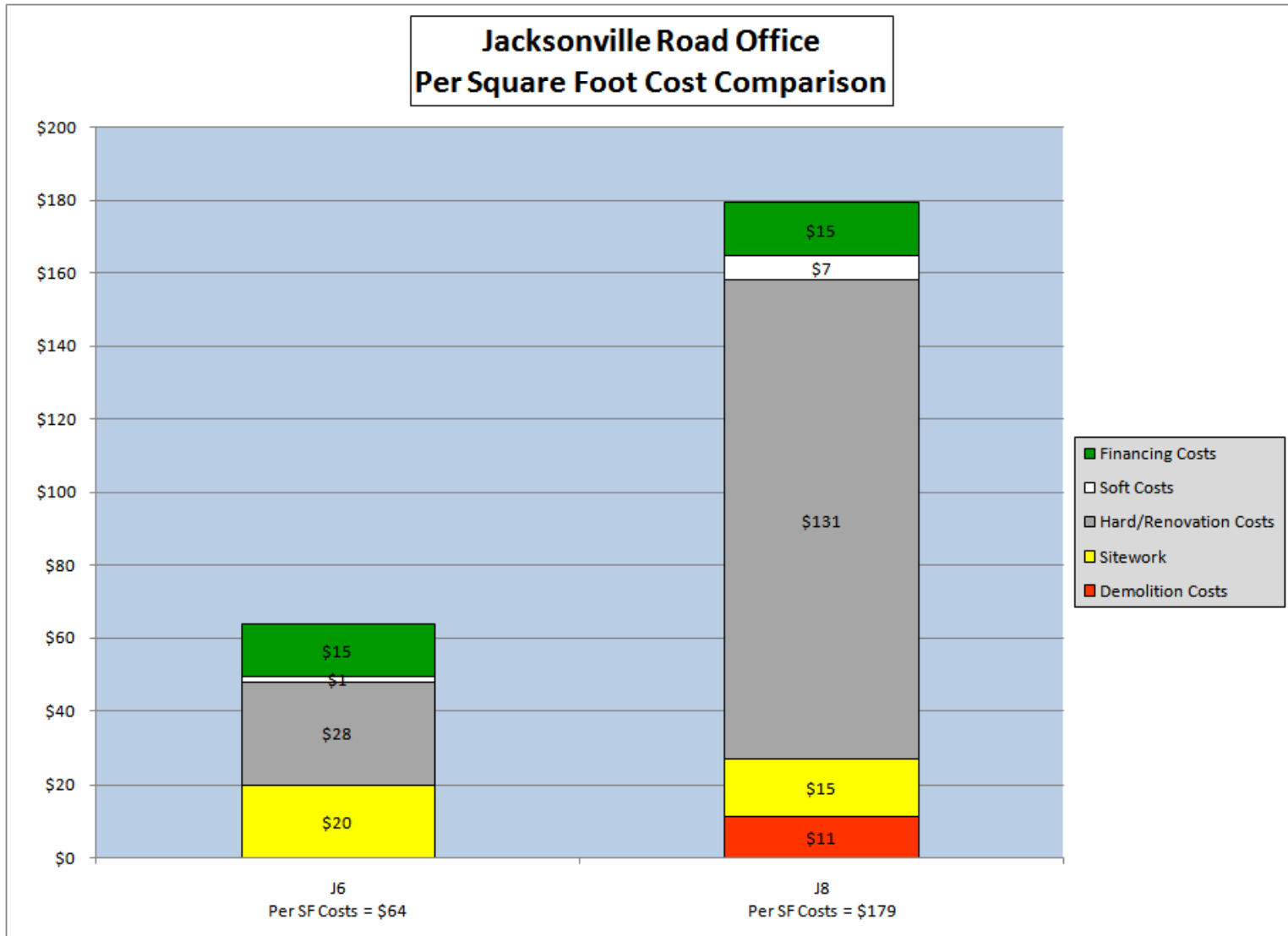
Jacksonville Road: Residential Cost Comparison



Jacksonville Road: Required Sales Price Comparison



Jacksonville Road: Office Cost Comparison



Jacksonville Road: Office Supportable Acquisition Costs



Calculation of Supportable Acquisition Costs

	J6 10,800 SF Renovated Office	J8 17,000 SF New Office
Key Assumptions		
Office Rent (\$/SF)	\$19	23
Vacancy Rate	10%	10%

Initial Yield

A	Total Investment (\$/SF)	\$64	\$179
B	Income (\$/SF)	\$16	\$20
(A/B)	Yield without Acquisition Costs	25%	11%

Yield with Acquisition Costs

	Acquisition Costs (\$/SF)	\$108	\$33
C	Total Investment with Acquisition Costs	\$172	\$213
D	Income (\$/SF)	\$16	\$20
(C/D)	Yield with Acquisition Costs	9%	9%

Total Acquisition Costs	\$1,105,681	\$565,350
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Jacksonville Road: Findings Summary



JACKSONVILLE ROAD - FINDINGS SUMMARY						
Alternative	Description	New Single Family	Renovated Existing Units	Square Feet of Office	Feasible (Y/N)	Supportable Acquisition Costs to DOD
J-1	ATG Learning Academy	-	6	-	Y	n/a
J-2	BCHG Homeless Housing	-	6	-	Y	n/a
J-3	Renovate 6 Single Family	-	6	-	Y	\$575,344
J-5	Demo 6 buildings, build 4 new Single Family	4	-	-	N	n/a
J-6	Renovate 6 units for office	-	-	10,200	Y	\$1,105,681
J-8	Demo 6 buildings, build 17,000 SF of Office	-	-	17,000	Y	\$565,350

Evaluation Matrix



LRA Subcommittee – Approved Criteria for Evaluation of 13 Alternatives: Preliminary Findings

I. Financial Feasibility	S-2	S-3	S-3b	S-5	S-8	S-9	S-10	J-1	J-2	J-3	J-5	J-6	J-8
A. Development Costs													
1. Site preparation costs	\$9,557,861	\$1,284,184	\$1,284,184	\$9,166,717	\$8,910,617	\$3,829,239	\$5,518,583	\$189,774	\$142,974	\$357,435	\$456,969	\$203,817	\$456,144
2. Hard Costs	\$14,252,433	\$1,093,750	\$1,093,750	\$12,599,977	\$16,731,117	\$14,665,547	\$15,594,280	\$369,774	\$340,974	\$37,500	\$826,228	\$285,000	\$2,231,250
3. Soft costs, as % of hard costs	\$2,561,438	\$2,096,324	\$2,096,324	\$2,336,899	\$2,716,338	\$2,348,115	\$4,508,158	n/a	n/a	\$77,305	\$136,736	\$163,192	\$361,038
4. Total	\$26,371,733	\$4,474,258	\$4,474,258	\$24,103,593	\$28,358,072	\$20,842,901	\$25,621,022	\$559,548	\$483,948	\$472,239	\$1,419,933	\$652,009	\$3,048,432
B. Operating Statement													
1. revenues	\$27,600,000	\$27,125,000	\$27,125,000	\$24,400,000	\$32,400,000	\$28,400,000	35,842,752	\$903,223	\$32,376	\$1,020,000	\$1,600,000	\$268,847	\$509,278
2. expenses	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$661,310	\$30,155	n/a	n/a	\$104,919	\$174,864
3. net operating income	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$241,913	\$2,221	n/a	n/a	\$163,928	\$334,414
C. Sources and Uses of Funds													
1. Total costs (uses)	\$26,371,733	\$4,474,258	\$4,474,258	\$24,103,593	\$28,358,072	\$20,842,901	\$25,621,022	\$559,548	\$483,948	\$472,239	\$1,419,933	\$652,009	\$3,048,432
2. Supportable funds (sources)	n/a	Debt 75%, Equity 25%	n/a	n/a	n/a	Debt 75%, Equity 25%	Debt 70%, Equity 30%	ATG funds	Commercial lenders, TRF	Debt 75%, Equity 25%	n/a	Debt 75%, Equity 25%	Debt 75%, Equity 25%
3. Supportable Land Acquisition Cost	n/a	\$17,500,000	\$17,500,000	n/a	n/a	\$1,000,000	\$6,000,000	n/a	\$8,457	-\$14,146	\$4,117	\$16,929	\$35,343

Evaluation Matrix, Cont'd



LRA Subcommittee – Approved Criteria for Evaluation of 13 Alternatives, Cont'd.: Preliminary Findings

II. Economic and Fiscal Impacts	S-2	S-3	S-3b	S-5	S-8	S-9	S-10	J-1	J-2	J-3	J-5	J-6	J-8
A. Quantitative													
1. fiscal													
a. property tax generation	\$326,585	\$320,964	\$320,964	\$288,720	\$383,382	\$336,051	\$424,119	\$0	\$8,457	\$12,685	\$19,733	\$16,929	\$35,343
b. income tax generation	\$62,684	\$33,755	\$36,932	\$55,416	\$73,585	\$64,501	\$81,404	\$0	\$0	\$2,044	\$3,634	n/a	n/a
c. pupil generation and estimated public cost	\$332,063	\$842,189	\$0	\$293,563	\$389,813	\$469,184	\$543,813	n/a	n/a	\$28,875	\$19,250	n/a	n/a
d. net cost/benefit	\$57,206	-\$487,470	\$357,896	\$50,573	\$67,155	-\$68,632	-\$38,290	n/a	\$8,457	-\$14,146	\$4,117	\$16,929	\$35,343
2. economic													
a. employment and income projections	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$341,340	n/a	n/a	n/a	\$1,669,992	\$3,590,278
b. household spending in the local economy	\$2,658,161	\$2,340,994	\$2,340,994	\$2,347,467	\$3,452,157	\$469,184	\$3,093,365	n/a	n/a	n/a	n/a	n/a	n/a
c. direct impacts from new operations	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$1,194,690	n/a	n/a	n/a	\$5,844,972	\$12,565,972
d. indirect impacts and multiplier effects	n/a	n/a	n/a	n/a	n/a	n/a	n/a	\$796,460	n/a	n/a	n/a	\$3,896,648	\$8,377,315
e. development and construction phase impacts, including jobs, wages and salaries	\$19,072,348	\$4,255,039	\$4,255,039	\$18,302,739	\$18,088,922	\$14,043,879	\$23,386,742	\$2,332,490	\$0	\$0	\$0	\$11,411,612	\$24,533,565
B. Qualitative													
1. Impacts and constraints on adjacent land uses	Positive	Negative	Positive	Positive	Positive	Positive	Positive	Positive	Negative	None	Positive	Positive	Positive
2. Transportation and related impacts	Minimal	Moderate	Minimal	Minimal	Minimal	Minimal	Minimal	Minimal	Minimal	Minimal	Minimal	Modest	Strong
3. Economic stability: region and communities	Modest	Minimal	Modest	Strong	Strong	Strong	Strong	Modest	n/a	Minimal	Minimal	Modest	Strong
4. Growth potential of Alt J-1: ATG Learning	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Strong	n/a	n/a	n/a	n/a	n/a
5. Mitigation measures required, including any environmental work not covered by Navy	stormwater included	stormwater included	stormwater included	stormwater included	stormwater included	stormwater included	stormwater included	n/a	n/a	n/a	n/a	n/a	n/a
6. Balance Review	Positive	Negative	Positive	Positive	Positive	Positive	Positive	Positive	Positive	Positive	Positive	Positive	Positive

Discussion



Opportunity for Public Comment

LRA Subcommittee Action Items



- Alternatives for further review and refinement
 - Shenandoah Woods
 - S-3, Renovation of 175 townhomes for sale
 - S-9, Demo all buildings, upgrade the streets to code and build 71 single family homes
 - S-10, Revised TRF/BCHG proposal, mixed housing (25 SFR, 88 twin units)
 - Jacksonville Road
 - J-1, ATG Learning Academy
 - J-2, BCHG Rehab for homeless housing
 - J-3, Rehab existing units for sale
 - J-6, Renovate existing units for office use
 - J-8, Demo existing units and build new offices (2 bldgs, 17,000 SF)
 - J-9, Demo existing units and build BCHG offices (**NEW – 3/8/10**)
- Request LRA to direct NOI applicants to submit Best and Final Offers (BAFO's)
- Request LRA to seek extension on OEA Grant deadlines