

Village of Marvin

Village Center Feasibility Analysis

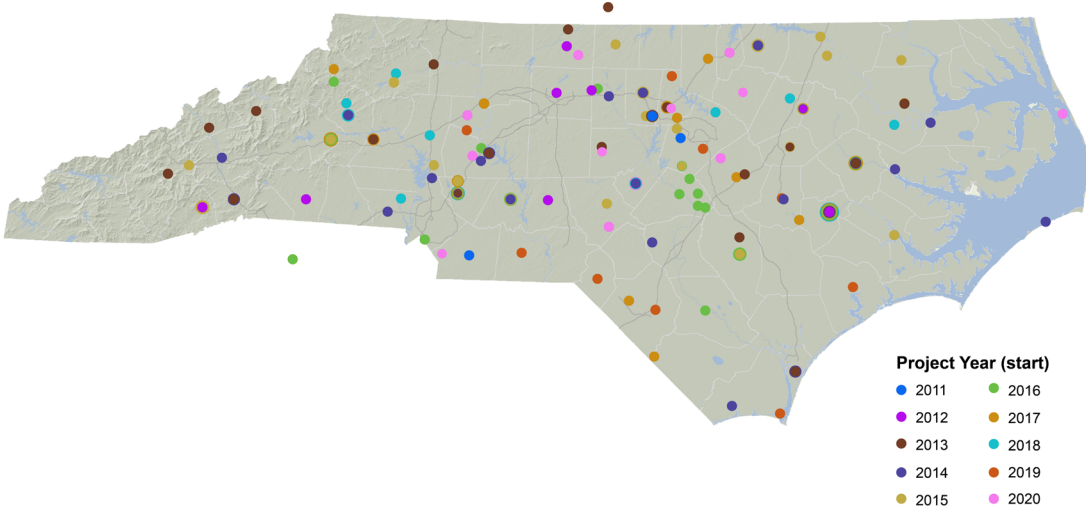


Agenda

- DFI Overview
- Project Overview
- Village Center Development Program
- Development Feasibility Assessment
- Recommendations
- Discussion

Development Finance Initiative

The Development Finance Initiative (DFI) is a program of UNC Chapel Hill's School of Government and collaborates with communities in NC to attract private investment for transformative projects by providing specialized finance and real estate development expertise.



DFI Project Scope

- DFI was hired in November 2020 to evaluate the financial feasibility of the Marvin Village Center concept
- DFI developed the financial model, incorporating:
 - Regional, comparable projects to determine market rate rents and sales prices
 - Local, recent land sales to determine potential acquisition prices for the land
 - Development cost assumptions input from DFI development advising team and outreach to General Contractors
 - Town of Marvin input for infrastructure needs to support the project

Village Center Feasibility

DFI Assessment Approach

When assessing the Village Center concept DFI evaluated:

- 3 density scenarios of development provided by Village Staff
- Village provided development standards for open space, parking and buffer requirements
- Segmenting the development into an East and West phase as well as commercial and residential breakdown
- Parking infrastructure and open space costs to all be allocated to private development

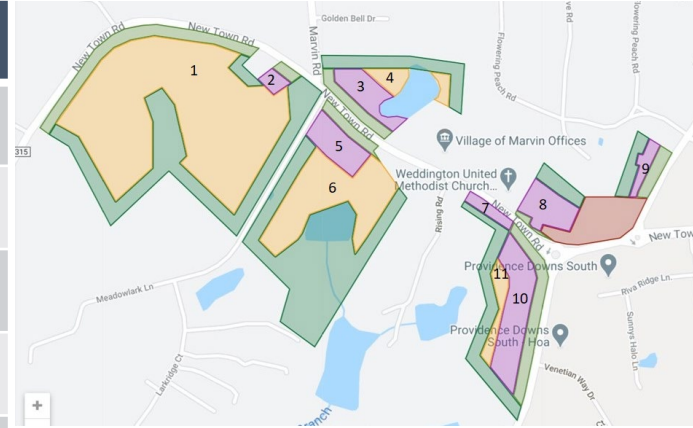
Village Center Development Summary

- Development feasibility under the current vision is constrained across all 3 density scenarios primarily due to:
 - Allowable maximum densities
 - Open space development standards
- Private investment real estate taxes in the highest density scenario do offset the public infrastructure investments to support the Village Center under a 20-year timeframe

Program Overview

Program Overview: Density Scenarios

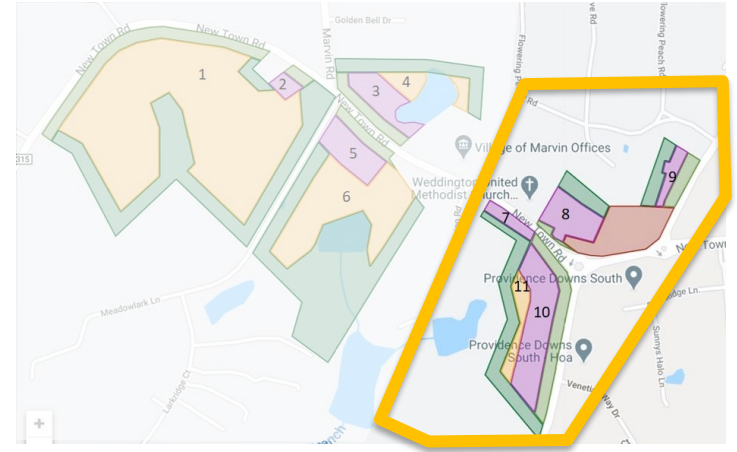
Density Scenario	Low	Medium	High
Residential Units/Acre	0.8	1.0	1.2
Commercial FAR	0.15	0.20	0.25
% Two Story	50%	50%	50%
Open Spaces (%)	35%	30%	25%
1 Parking Space Per 250 SF Commercial			



Program Overview: Density Scenarios

East Phase

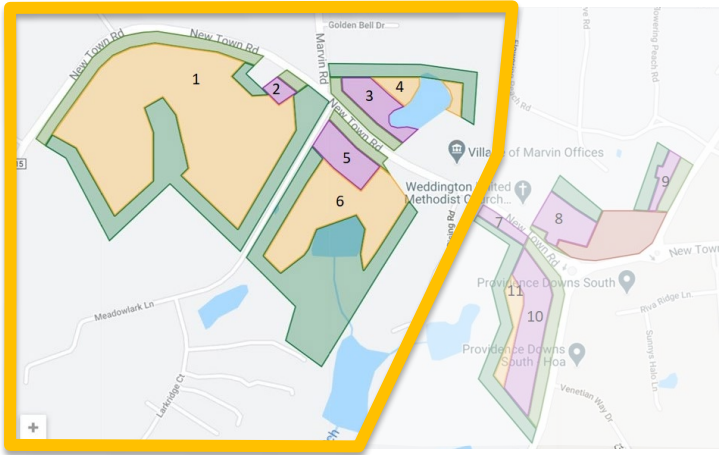
Density Scenario	Low	Medium	High
Residential Units	10	16	20
Commercial SF	84,000	115,000	147,000
Open Spaces (Acres)	3.6	3.6	3.5
Parking Spaces	313	436	565



Program Overview: Density Scenarios

West Phase

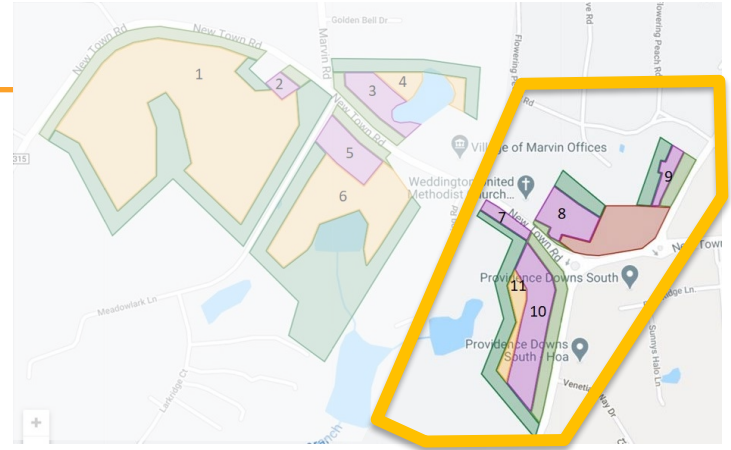
Density Scenario	Low	Medium	High
Residential Units	64	83	99
Commercial SF	51,000	69,000	87,000
Open Spaces (Acres)	15.9	15.5	14.2
Parking Spaces	168	237	309



Commercial Feasibility

Returns by Density Scenarios

East Phase – Master Developer
 Low Density- \$18.8M
 High Density- \$30.7M



Density Scenario	Low	Medium	High	Target
Internal Rate of Return*	6.1%	7.7%	8.5%	15 – 18%
Equity Multiple*	1.7x	1.9x	2.1x	2.5x
Yield-on-Cost (Average)*	6%	6%	7%	7%

*Projected returns include a \$.25 MSD tax on top of the current Marvin tax rate

Returns by Density Scenarios

West Phase – Master Developer
 Low Density- \$11.5M
 High Density Private- \$18.3M



Density Scenario	Low	Medium	High	Target
Internal Rate of Return*	5.2%	6.6%	7.6%	15 – 18%
Equity Multiple*	1.6x	1.8x	1.9x	2.5x
Yield-on-Cost (Average)*	6%	6%	6%	7%

*Projected returns include a \$.25 MSD tax on top of the current Marvin tax rate

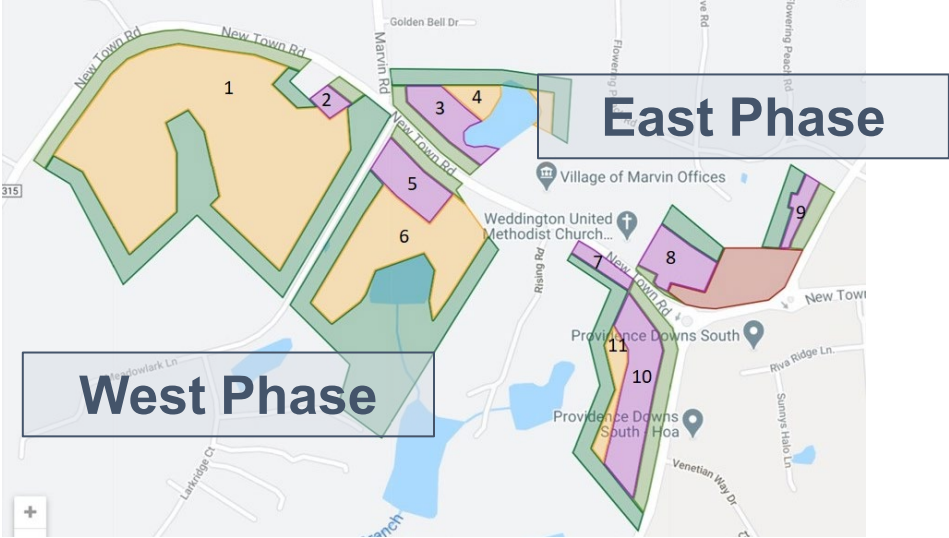
Key Opportunities for Commercial Financial Feasibility

- Increase allowable densities and/or decrease open space requirements
 - Land and site preparation costs remain relatively constant across density scenarios
- Consider public/private partnerships for infrastructure
 - Parking and open space costs could be shared with public sector

Residential Feasibility

Residential For Sale Program Summary

Unit Count by Scenario	Low	Medium	High
East	10	16	20
West	64	83	99
Combined	74	99	119



Residential Development Profit Potential

East	Low	Medium	High
Development Cost PSF	\$169	\$168	\$165
Sales Price PSF	\$190 PSF / \$200 PSF		
Profit Margin @ \$190 PSF	13.3%	13.2%	14.9%
Profit Margin @ \$200 PSF	19.3%	19.2%	21.0%

West	Low	Medium	High
Development Cost PSF	\$206	\$194	\$187
Sales Price PSF	\$190 PSF / \$200 PSF		
Profit Margin @ \$190 PSF	-7.9%	-2.2%	1.6%
Profit Margin @ \$200 PSF	-3.0%	3%	6.9%

Target Profit Margin = 12 – 15%

Key Opportunities for Financial Feasibility- Residential

- Increase allowable densities and/or decrease open space requirements
 - Investor returns are challenged on west node due to the large amounts of land acquisition
 - Village could acquire portion of land to meet levels of desired open space and lessen amount developer would have to provide

Public Investment

Key Assumptions – Public Investment

Public Investment	Cost
Streets: Curbs and gutters, road paving and sub (certain portions), water, sewer, stormwater + Streetscaping: sidewalks, street furniture, tree plantings, lighting	\$1,000 / Linear Ft
Water Main Extension (x2)	\$100,000 for 700 LF
Commercial Parking	TBD
Future development of Village Hall	\$1.8M



Source: Village of Marvin, Conceptual streetscape rendering

Program Overview: Scope Options

- Mixed-use Commercial
- Residential
- Future Town Hall
- West Street Infrastructure Investments (1600 lf)
- East Street Infrastructure Investments (3500 lf)
- Water Main Extensions (1400 lf Total)



East Phase

West Phase

Estimated East Phase Public Investment Financial Picture

20-Year Impact

Density Scenario	Low	Medium	High
Investment		(\$3,659,000)	
Incremental Real Estate Tax Revenue (Village of Marvin Only)	\$241,000	\$336,000	\$426,000
Total Impact	(\$3,418,000)	(\$3,323,000)	(\$3,233,000)
\$0.25 MSD- Commercial	\$766,000	\$1,025,000	\$1,300,000
\$0.25 MSD- Residential	\$237,000	\$379,000	\$474,000
Total Impact with MSD	(\$2,415,000)	(\$1,919,000)	(\$1,459,000)

*Village tax and MSD tax include annual 2% increase

Estimated West Phase Public Investment Financial Picture

20-Year Impact

Density Scenario	Low	Medium	High
Investment		(\$1,840,000)	
Incremental Real Estate Tax Revenue (Village of Marvin Only)	\$476,000	\$621,000	\$748,000
Total Impact	(\$1,364,000)	(\$1,219,000)	(\$1,092,000)
\$0.25 MSD- Commercial	\$896,000	\$618,000	\$771,000
\$0.25 MSD- Residential	\$1,516,000	\$1,970,000	\$2,345,000
Total Impact with MSD	\$620,000	\$1,369,000	\$2,024,000

*Village tax and MSD tax include annual 2% increase

Village Center Development Summary

	Low Density	Medium Density	High Density
East Commercial (IRR)	6.1%	7.7%	8.5%
East Residential (Profit Margin)	19.3%	19.2%	21.0%
East Public Net Financial Impact (20 years)	(\$2,415,000)	(\$1,919,000)	(\$1,459,000)
West Commercial (IRR)	5.2%	6.6%	7.6%
West Residential (Profit Margin)	-3.0%	3%	6.9%
West Public Net Financial Impact (20 years)	\$620,000	\$1,369,000	\$2,024,000

Recommendations

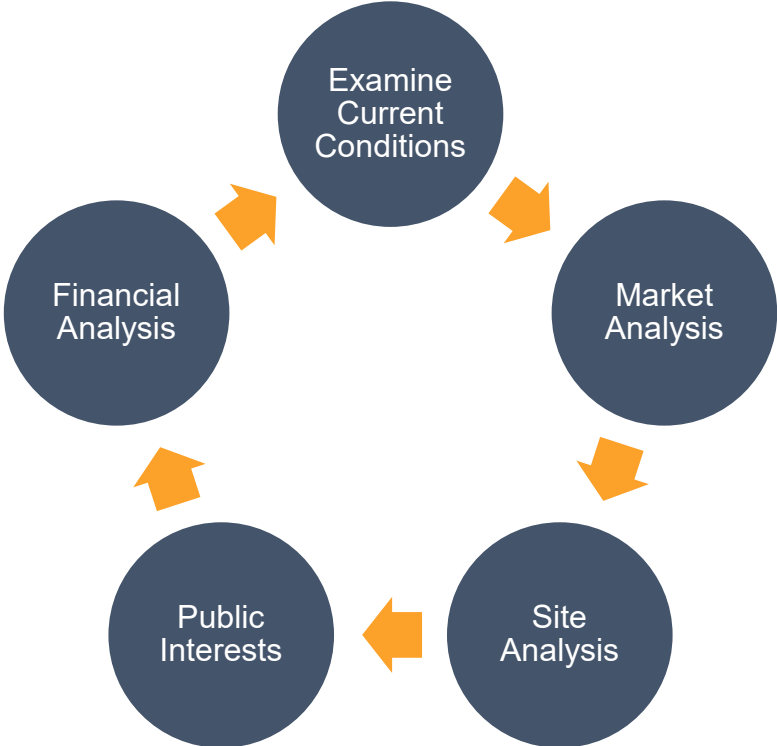
Village Center Recommendations

- Reconsider density allowances and/or open space requirements- greater density helps offset land costs
- Consider phased approach to Village Center
 - Reduces upfront infrastructure costs
 - Reduces full costs of site risks (environmental, stormwater, grading, etc.)
- Consider public participation strategies
 - Infrastructure investments (parking, open space)

Questions/Discussion

Appendix

DFI Process



Program Overview: Scope Options

- Mixed-use Commercial
- Residential
- Future Town Hall
- West Street Infrastructure Investments
- East Street Infrastructure Investments
- Water Main Extension



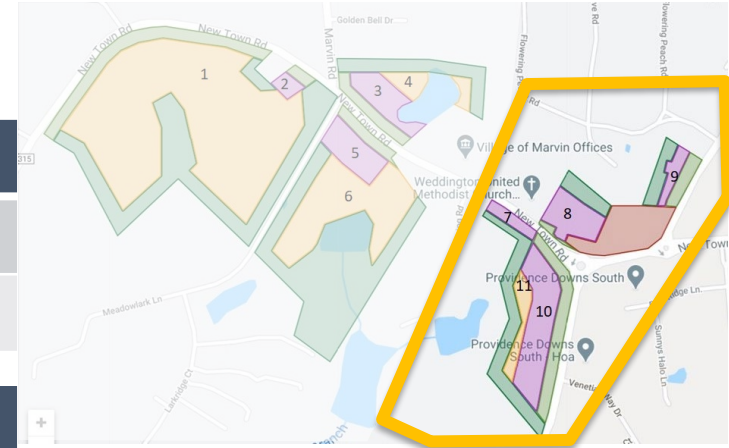
Key Assumptions – Private Development- Commercial

Retail	Assumption
Rent	\$20 PSF
Vacancy	50% (Year 1) / 10% Ongoing
Efficiency	80% (Adaptive Reuse) – 95% (New Construction)
Development Cost PSF	\$100 / SF (Adaptive Reuse) - \$75 / SF (New Construction)
Office	Assumption
Rent	\$22 PSF
Vacancy	50% (Year 1) / 10% Ongoing
Efficiency	90%
Development Cost PSF	\$100 / SF
Open Space Development	\$5 / SF

Sources/Uses by Density Scenarios- Commercial

East Phase – Master Developer

Sources	Low	Medium	High
Equity	\$7,240,000	\$8,685,000	\$10,374,000
Debt	\$11,565,000	\$15,845,000	\$20,326,000
Uses	Low	Medium	High
Acquisition	\$1,427,000	\$1,368,000	\$1,368,000
Hard Costs	\$14,871,000	\$19,900,000	\$25,271,000
Soft Costs	\$2,507,000	\$3,262,000	\$4,061,000
Total	\$18,805,000	\$24,530,000	\$30,700,000

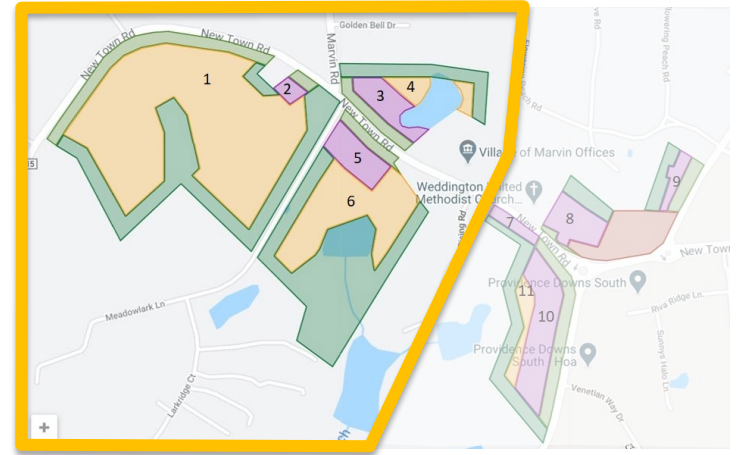


Sources/Uses by Density Scenarios- Commercial

West Phase – Master Developer

Sources	Low	Medium	High
Equity	\$4,647,000	\$5,588,000	\$6,507,000
Debt	\$6,905,000	\$9,296,000	\$11,810,000

Uses	Low	Medium	High
Acquisition	\$917,000	\$917,000	\$917,000
Hard Costs	\$9,088,000	\$11,991,000	\$14,978,000
Soft Costs	\$1,547,000	\$1,976,000	\$2,422,000
Total	\$11,552,000	\$14,884,000	\$18,317,000



Key Assumptions – Private Development- Residential

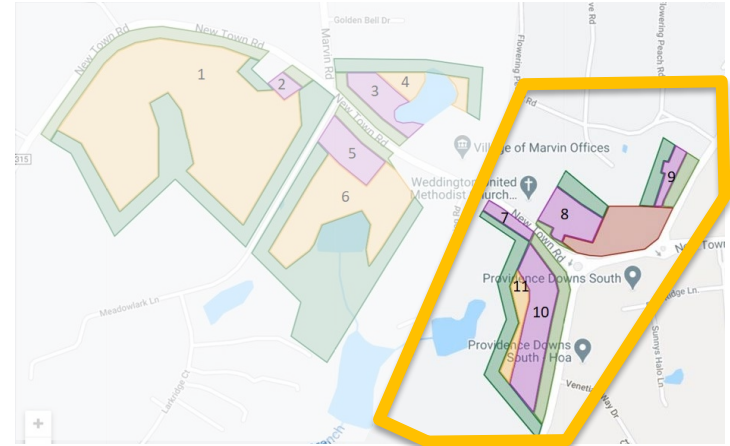
Townhomes	Assumption
Construction Costs	\$150 / SF
Sales Price	\$200 / SF
Land Costs	\$70,000 / Acre
Site Prep Costs	\$15,000
Open Space Development	\$5 / SF
Return Expectations	12 – 15% Profit Margin

Sources/Uses by Density Scenarios- Residential

Residential Development - East

Sources	Low	Medium	High
Equity	\$1,033,000	\$1,654,000	\$2,030,000
Debt	\$2,410,000	\$3,859,000	\$4,737,000

Uses	Low	Medium	High
Acquisition	\$197,000	\$256,000	\$256,000
Development Costs	\$3,245,000	\$5,257,000	\$6,511,000
Total	\$3,443,000	\$5,513,000	\$6,767,000

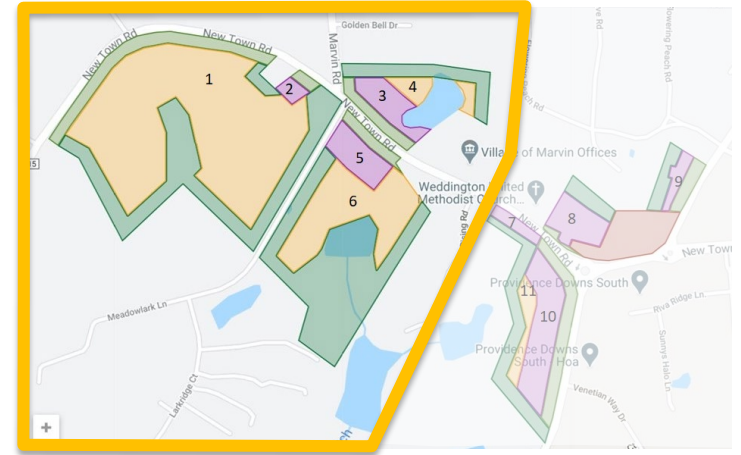


Sources/Uses by Density Scenarios- Residential

Residential Development - West

Sources	Low	Medium	High
Equity	\$8,459,000	\$10,236,000	\$11,663,000
Debt	\$19,739,000	\$23,883,000	\$27,214,000

Uses	Low	Medium	High
Acquisition	\$4,993,000	\$4,993,000	\$4,993,000
Development Costs	\$23,205,000	\$29,126,000	\$33,884,000
Total	\$28,198,000	\$34,119,000	\$38,877,000



Estimated Program of Public Inputs

East Phase	Linear Feet
Road Infrastructure	3,500
Water Main Extension	700

West Phase	Linear Feet
Road Infrastructure	1,600
Water Main Extension	700

dfi development
finance
initiative



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