THE LAUNCH REPORT
2Q19 NEWSLETTER

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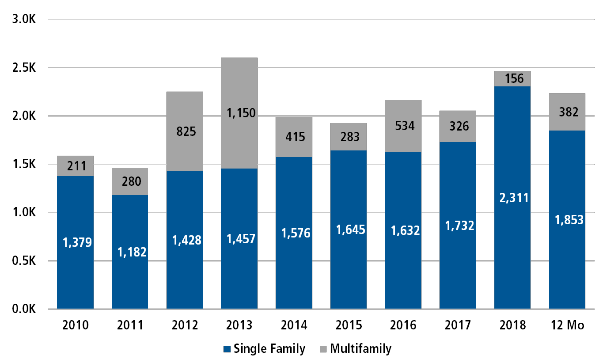
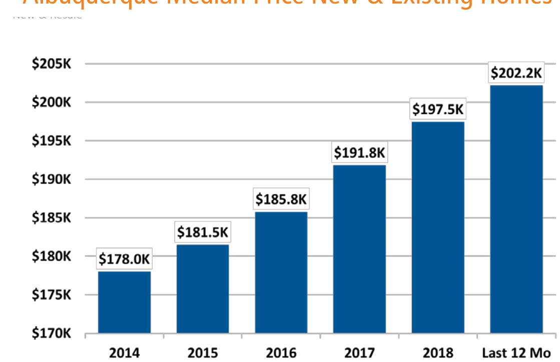
DEVELOPMENT FINANCE ADVISORS

MARKETS AT A GLANCE - ALBUQUERQUE, BOISE, LAS VEGAS (2Q19)

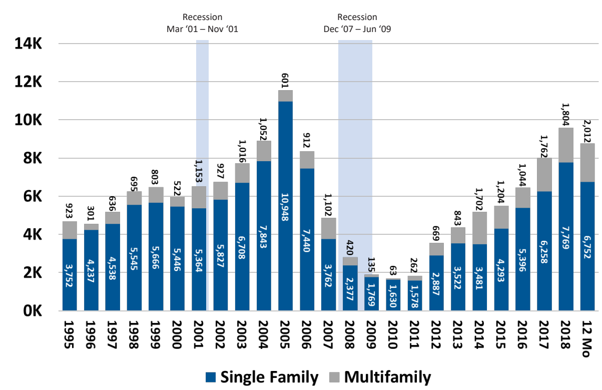
Albuquerque Single Family & Multi-Family Permits



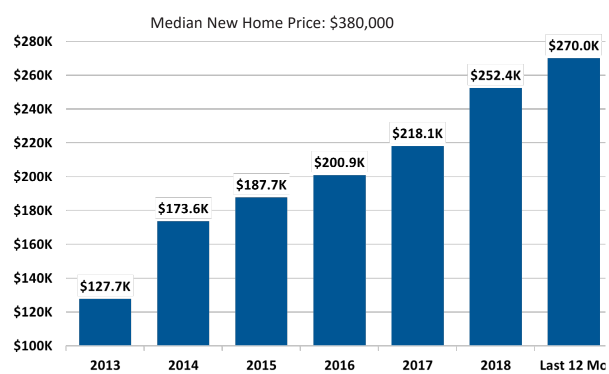
Albuquerque Median Price New & Existing Homes



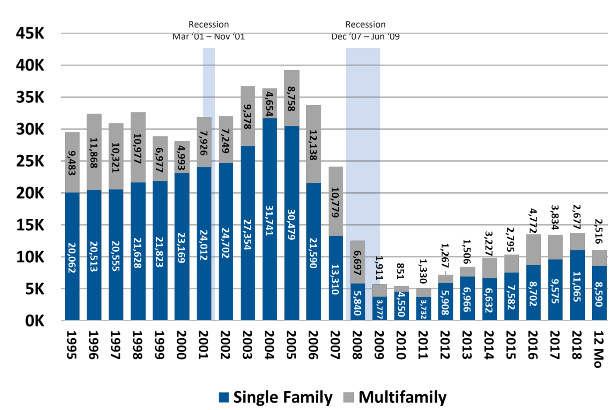
Boise Single Family & Multi-Family Permits



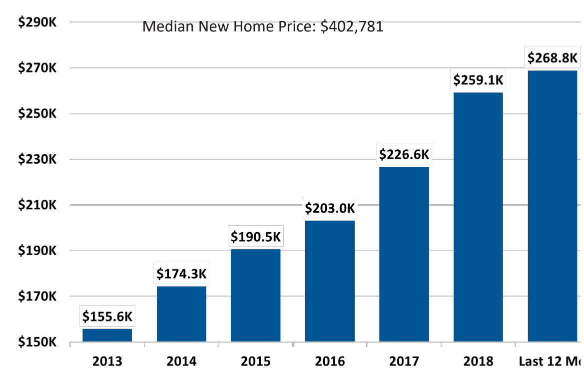
Boise Median Price New & Existing Homes



Las Vegas Single Family & Multi-Family Permits

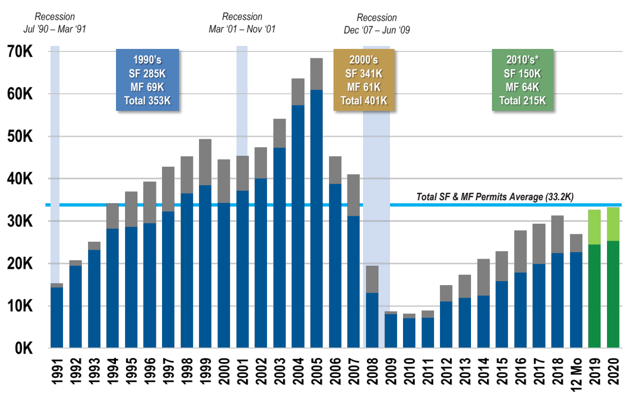


Las Vegas Median Price New & Existing Homes

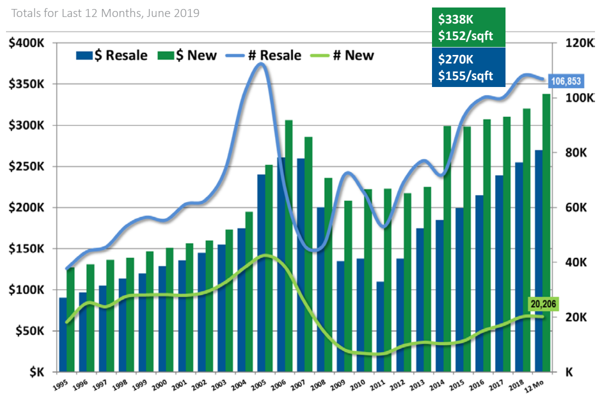


MARKETS AT A GLANCE - PHOENIX, RENO, TUCSON (2Q19)

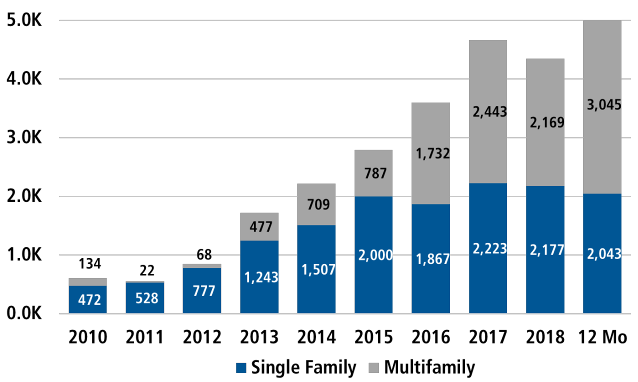
Phoenix Single Family & Multi-Family Permits



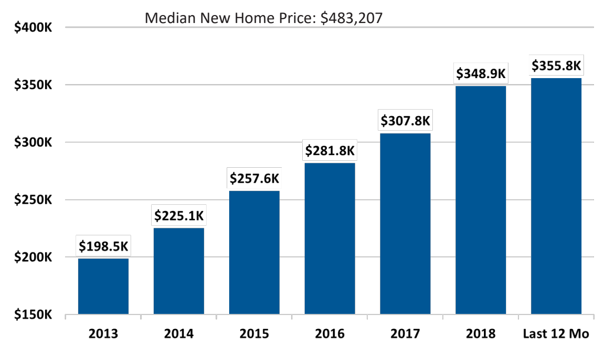
Phoenix Median Price New & Existing Homes



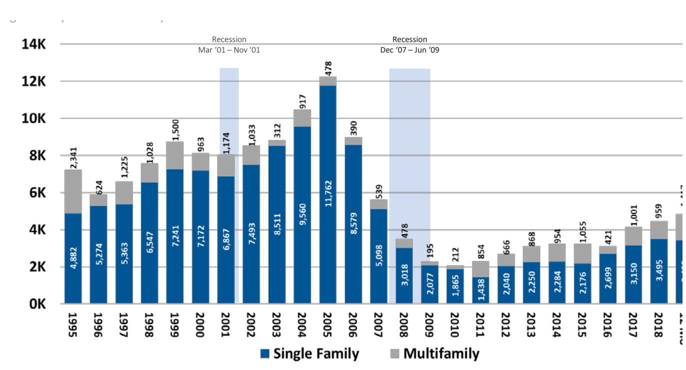
Reno Single Family & Multi-Family Permits



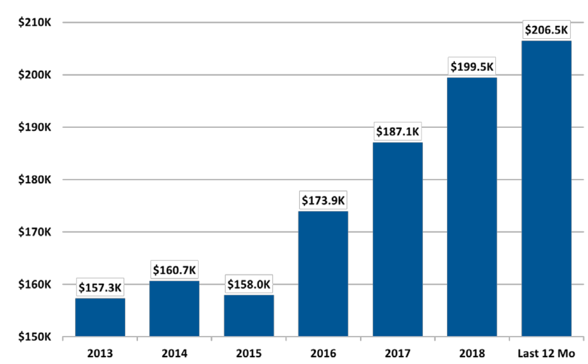
Reno New Home Starts vs Closings



Tucson Single Family & Multi-Family Permits



Tucson Median Price New & Existing Homes



The Guest Corner

Each quarter we feature an industry leader to give us his or her thoughts related to topics impacting the development industry.

This quarter we're featuring an article from Gregg Logan, Managing Director at RCLCO Real Estate Advisors, a real estate consulting firm with over 50 years of experience. For more information contact Gregg at (407) 515-4999 or glogan@rclco.com

Disruptive Demographics: Housing Production, Demographic Reality Moving in Different Directions

One of the biggest challenges of fully meeting new for-sale housing demand has been declining new home affordability, as home prices have increased more quickly than household incomes. There is an opportunity to increase total housing production by providing a greater range of new home types, sizes and prices that better meets the needs of an increasingly diverse mix of household demographics.

The decline in new home affordability has been due to a number of factors - rising construction costs, labor shortages, high land costs, government regulations and fees, and the mix of housing products being offered the market by builders and developers. Home prices went up during the recovery from the great recession not only because costs got higher, but also because the new homes being built were bigger. The incongruity between the demographics of newly formed households, the stated housing preferences of households active in the housing market, and the products and price points being offered to the market make it harder to fully serve new home demand.

New household growth is younger and increasingly diverse, and that has an impact on new home purchasing power. Growing the ranks of new homeowners requires reaching younger and less affluent households, particularly those in the 35 to 44 age range. The higher home ownership propensity of existing mature homeowners encourages builders and community developers to target these customers as they are more likely to leverage their current home value towards the purchase of another home, and are often less financially constrained.

According to the Joint Center on Housing Studies at Harvard University ("JCHS"), single households and married households without children are expected to account for 69% of household growth from 2018-2028. The number of married households with children is also expected to increase, primarily driven by Millennials. However, compared to previous generations, Millennials are having fewer children, which along with the increase in older households, is driving average household size downward.

The biggest demographic influence on housing demand is of course household growth. The Census Bureau recently revised downward its population projections, predicting somewhat slower rates than previously forecast due to reduced levels of foreign immigration. Using the updated Census figures, JCHS is forecasting household growth of 12.2 million in the 2018 to 2028 period, and 9.6 million in 2028 to 2038, reductions of 10% and 13% from previous projections. Lower immigration accounts for most of the difference, impacting previous expectations of the growth in Hispanic and Asian populations. Aging Boomers will drive growth in the age 65 and over households, while millennials will drive growth in the 35 to 44 year old households. The population aged 45 to 64 will decline, due to the aging of the boomers and the smaller Gen-X population that follows them.

Disruptive Demographics: Continued

By Gregg Logan

JCHS projections anticipate a diverse mix of household growth by race and ethnicity in the 2018 to 2028 period. Given the large proportion of minority household growth and their lower home ownership propensity, the same unit of household growth now and in the future may not result in the same level of home sales activity as in the past, given the change in the composition of household growth.

Racial and ethnic minorities are a larger share of first-time buyers than they are of move-up buyers. Despite minority households having lower homeownership rates than white households, their desire for home ownership is similar, and represents a growth opportunity when solutions are found to increase the supply of attainably priced housing, which consumer research indicates can be met at least in part through higher density development.

Currently, the mix of new for-sale product types is not significantly different than it was in 2000, with a few more townhomes being built, and fewer condominiums. RCLCO's Housing and Community Preference Survey found that even though the conventional single-family detached home remains the most desirable for-sale residential product type, approximately a third of all customers surveyed would consider a higher density attached product, yet these product types only make up 14.8% on newly constructed homes. On average, these product types are offered at more attainable price points than single-family detached homes and often appeal to buyers wanting to own a home but unable to afford detached product. There is a larger market for smaller detached new homes than is currently being offered, which represents further market opportunity. Addressing the market for a greater range of new home sizes and prices is becoming increasingly important to the new home industry as the US population further diversifies.

Gregg Logan is the Marketing Director at RCLCO Real Estate Advisors, a real estate consulting firm with over 50 years of expereince. Contract Gregg Logan at 407-515-4999 or email at glogan@rclco.com

How Are The Top MPC's Financing Infrastructure?

By Carter Froelich, CPA

RCLCO Real Estate Advisors has published their mid-year 2019 Top Selling Master Planned Communities Report ("Report") and the professionals at Launch Development Finance Advisors have updated our financing matrix to illustrate how these top selling communities are financing their infrastructure.

As illustrated on the following page, 42 of the 50 communities shown in the Report utilize some type of public financing mechanism to offset their infrastructure costs. These 42 communities constitute 88 percent of the all the home sales within the top selling master planned communities thereby demonstrating the importance of special taxing districts to access long term, low interest financing for master planned community development.

For more information on RCLCO's Top Selling MPC's Report as well as Launch's Financial Analysis go to RCLCO Report.

Should you have additional questions about our research, please contact Carter Froelich or Pam Giss at carter@launch-dfa.com or pamelag@launch-dfa.com.

Mid-Year 2019 Top Selling Master Planned Communities

By Carter Froelich, CPA

RCLCO Real Estate Advisors / Launch Development Financing Advisors
Mid-Year 2019 Top Selling Master Planned Communities
Infrastructure Financing Mechanisms

				Infrastructure Financing Information					
Rank	**MPC (1)**	**MSA (City, State) (1)**	**Total Units Sold Mid 2019**	**Public Financing / District (Y/N)**	**Special District Type (2)**	**Special Assessment Bonds**	**General Obligation Bonds**	**Revenue Bonds**	**Special Tax Levy Bonds**
1	The Villages	The Villages (FL)	1000	Y	CDD	X			
2	Lakewood Ranch	North Port-Sarasota-Bradenton (Sarasota, FL)	824	Y	CDD	X			
3	West Villages	North Port-Sarasota-Bradenton (Venice, FL)	679	Y	ID	X			
4	Summerlin	Las Vegas-Henderson-Paradise (Las Vegas, NV)	675	Y	SID	X			
5	Nocatee	Jacksonville (Ponte Vedra, FL)	535	Y	CDD	X			
6	Irvine Ranch	Los Angeles-Long Beach-Anaheim (Orange County, CA)	500	Y	CFD				X
7	Ontario Ranch	Riverside-San Bernardino-Ontario (Ontario, CA)	474	Y	CFD				X
8	Eastmark	Phoenix-Mesa-Scottsdale (Mesa, AZ)	469	Y	CFD	X	X		
9	Sonterra	Austin-Round Rock (Jarrell, TX)	455	Y	MUD		X		
10	Daybreak	Salt Lake City (South Jordan, UT)	362	Y	SAD	X			
11	Bridgeland	Houston - The Woodlands-Sugar Land (Cypress, TX)	351	Y	MUD		X		
12	Inspirada	Las Vegas-Henderson-Paradise (Las Vegas, NV)	344	Y	SID	X			
13	Cane Bay Plantation	Charleston-North Charleston (Charleston, SC)	326	N					
14	Cadence	Las Vegas-Henderson-Paradise (Henderson, NV)	321	Y	RED			X	
14	Stapleton	Denver-Aurora-Lakewood (Denver, CO)	321	Y	METRO / TAX INCREMENT		X		
16	Verrado	Phoenix-Mesa-Scottsdale (Buckeye, AZ)	319	Y	CFD		X		
17	Harmony	Houston-The Woodlands-Sugar Land (Spring, TX)	289	Y	MUD		X		
18	Sienna	Houston - The Woodlands-Sugar Land (Missouri City, TX)	281	Y	MUD		X		
19	Great Park Neighborhoods	Loes Angeles-Long Beach-Anaheim (Irvine, CA)	271	Y	CFD				X
20	Tartesso	Phoenix-Mesa-Scottsdale (Buckeye, AZ)	269	Y	CFD		X		
21	Cross Creek Ranch	Houston - The Woodlands - Sugar Land (Fulshear, TX)	262	Y	MUD		X		
22	Skye Canyon	Las Vegas-Henderson-Paradise (Las Vegas, NV)	260	Y	SID	X			
23	Rancho Mission Viejo	Los Angeles-Long Beach-Anaheim (San Juan Capistrano, CA)	256	Y	CFD				X
24	Brambleton	Washington-Arlington-Alexandria (Brambleton, VA)	254	N					
25	Viera	Palm Bay-Melbourne-Titusville (Melbourne, FL)	254	Y	CDD	X			
26	Sunfield	Austin-Round Rock (Buda, TX)	245	Y	MUD		X		
27	Estrella	Phoenix-Mesa-Scottsdale (Goodyear, AZ)	242	Y	CFD	X	X		
28	Vistancia	Phoenix-Mesa-Scottsdale (Peoria, AZ)	239	Y	CFD		X		
29	The Meadows	Phoenix-Mesa-Scottsdale (Phoenix, AZ)	235	N					
30	Bartram Park	Jacksonville (Jacksonville, FL)	232	Y	CDD	X			
31	Bexley	Tampa-St. Petersburg-Clearwater (Land O Lakes, FL)	227	Y	CDD				
32	Towne Lake	Houston-The Woodlands-Sugar Land (Cypress, TX)	223	Y	MUD				
33	Escaya	San Diego-Carlsbad (Chula Vista, CA)	221	Y	CFD				X
34	Aliana	Houston-The Woodlands-Sugar Land (Fort Bend County, TX)	220	Y	MUD		X		
35	Mountain House	San Francisco - Oakland-Hayward (Stockton, CA)	219	Y	CFD				X
36	Lake Nona	Orlando-Kissimmee-Sanford (Orlando, FL)	217	Y	CDD	X			
37	Flowers Plantation	Raleigh (Clayton, NC)	216	N					
37	River Islands	Stockton-Lodi (Stockton, CA)	216	Y	CFD				X
39	Meridian	Phoenix-Mesa-Scottsdale (Queen Creek, AZ)	206	N					
39	Starkey Ranch	Tampa-St. Petersburg-Clearwater (Land O Lakes, FL)	206	Y	CDD	X			
39	Woodforest	Houston-The Woodlands-Sugar Land (Montgomery, TX)	206	Y	MUD				
42	Harvest	Dallas-Fort Worth-Arlington (Argyle, TX)	205	Y	MUD		X		
43	Kindred	Orlando-Kissimmee-Sanford (Kissimmee, FL)	200	Y	CDD	X			
44	Sundance	Riverside-San Bernardino-Ontario (Beaumont, CA)	198	Y	CFD				X
45	Willowsford	Washington-Arlington-Alexandria (Ashburn, VA)	195	N					
46	Tradition	Port St. Lucie (St. Lucie, FL)	193	Y	CDD	X			
47	Mill Bridge	Charlotte-Concord-Gastonia (Waxhaw, NC)	192	N					
47	Santa Rita Ranch	Austin-Round Rock (Liberty Hill TX)	192	Y	MUD		X		
49	Tehaleh	Seattle-Tacoma-Bellevue (Bonney Lake, WA)	189	N					
50	Harvest Green	Houston-The Woodlands-Sugar Land (Richmond, TX	187	Y	MUD		X		
Total Home Sales or MPC's Utilizing Special Taxing Districts			**15672**	**42**		**16**	**16**	**2**	**8**
Percentage of Home Sales Occurring Within MPC Using Special Taxing Districts			**88.4%**						

Source: RCLCO Real Estate Advisors & Launch Development Finance Advisors

Footnotes:

(1) Per RCLCO's Top Selling MPC Report - Midyear 2019.

(2) **CDD** - Community Development District ; **CFD** - Community Facilities District; **ID** - Improvement District; Metro - Metropolitan District; **MUD** - Municipal Utility District (or variation thereof); **SID** - Special Improvement District; **SAD** - Special Assessment District; **RED** - Redevelopment District

(3) Estimates only. Figures are not intended to represent the financing history of the specific MPC. Figures were derived from publicly available information including but not limited to: public offering statements, sales data, developer websites, district websites, county treasurer's websites, property tax billings, and county assessor's websites. MPC's frequently contain multiple financing districts, and the data included in the table assumes a sample property in a single district.

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Utah Passes New Special District Financing Statue

By Tim Hilton / Carter Froelich

On May 14, 2019 Utah's Public Infrastructure District ("PID" and/or "District") legislation; Utah Code 17B-2a-1201 et seq. (the "Act"), became effective. The Act allows the establishment of the special purpose taxing district to issue 40 year term limited general obligation tax bonds to finance the construction and acquisition of eligible public infrastructure (e.g. streets, water, sewer, storm drain, parks, etc.).

The "limited" nature of the PID bonds makes them similar to Colorado Metropolitan District Bonds which are used extensively by Colorado developers and home builders to finance the construction and acquisition of public infrastructure. It should not be surprising that the sponsor of the Act has extensive experience with Colorado Metropolitan Districts. As the Act provides that a PID's ad valorem tax rate cannot exceed a certain limit as outlined in the PID governance documents, taxpayers can be assured that the ad valorem tax rate will never be exceeded. The cap on the tax rate also allows the issuance of bonds much sooner in the development process than that which would otherwise be available. The limitation on the tax rate effectively shifts the risk from the homeowners to the bond buyers. Accordingly, to the extent that the developer wants to issue bonds early in the development process; the underwriter and bond buyers will require significant capitalized interest and reserve funds to mitigate their risks.

The second unique characteristic of the Act is that it permits the developer to maintain control of the District. For instance, when the District is established, the District formation documents will divide the project area into "divisions" for which a District Board member is appointed. Initially the District Board will be made up of landowners (e.g. the developer). As development of the project occurs and certain "milestones" or "events" are achieved as outlined in the District's Governance Agreements; the applicable Division's board member is transitions from a landowner to a resident elector. Upon the build out of the development the PID Board will be completed administered by the Project's resident electors.
PID benefits include:

1. Growth pays for growth;
2. PIDs are separate political subdivision from that of the jurisdiction forming the district therefore, the jurisdiction is not liable for the debt obligation of the District;
3. PIDs allow public infrastructure to be constructed much sooner than that otherwise possible;
4. PIDs allow the reduction in lot development costs through the long term, low interest rate environment of the public debt markets.
5. The Developer is relatively assured that bonds can and will be issued when required;
6. PID bonds can be issued sooner in the development process than that available through unlimited general obligation bonds;

For more information on the Act contact Carter Froelich at carter@launch-dfa.com or call (480) 874-4355.

2019 New Mexico PID Amendment Could Cause Huge Issues For Developers

By Pam Giss

On April 3, 2019, an amendment to the New Mexico Public Improvement District Act §5-11-1 et seq. (the "Amendment") became effective requiring, among other changes, that elections for the public improvement district ("PID" and/or "District") board of directors ("Board") comply with the Local Elections Act.

Prior to the Amendment, the developer and the jurisdictional governing body could control the Board until the developer sold 3/4ths or more of the land in the District. Given the certainty of the developer control of the Board for an extended time period, District boundaries could be large.

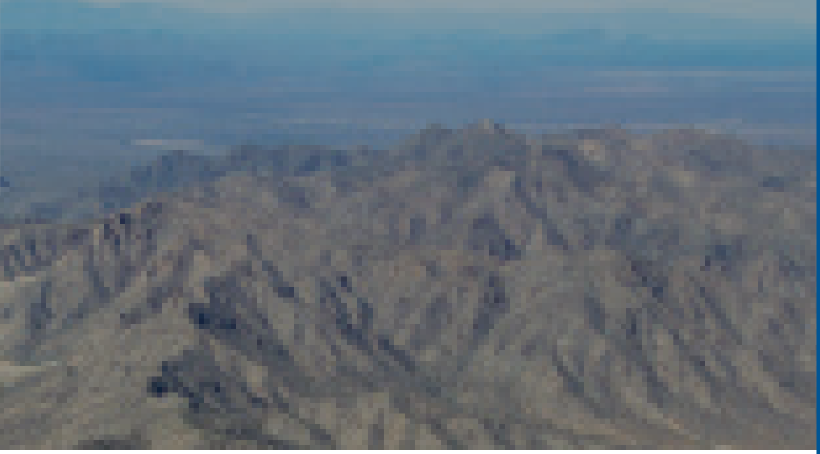
Under the new law, all Board positions are subject to the Local Elections Act once the initial Board terms expire (typically, 4 year terms for 2 Board members and 6 year terms for 3 Board members), and new Board members must be elected by the resident qualified electors of the District at regular general statewide elections. If there are no resident qualified electors, the owners and jurisdictional governing body will continue to elect Board members. The unintended consequence of the Amendment is that developers of larger projects with longer buildout periods (in excess of 6 years) that established large District boundaries cannot be assured the Boards will continue to issue debt to reimburse developers for eligible public infrastructure expenditures or that modifications to special tax levies necessitated by zoning changes or other common development changes will be approved.

The result is financial uncertainty among developers with existing PIDs.

We also anticipate that unless the law can be amended, it will be necessary to establish multiple smaller PIDs in lieu of larger PID areas to allow for developer control of the District. The secondary impact of more PIDs is that of increased administrative costs as it is more costly to administer multiple districts than one large District.

A statutory compromise may be to divide the District into areas. As lot absorption milestones are reached in a specific area, an appointed District Board member position is placed on the ballot in the first general election following expiration of the appointed seat allocated to that area. The benefit of this strategy is that qualified resident electors wishing to participate on the Board are represented at an earlier stage in the development process while the developer retains control of the board during the critical infrastructure financing period. This concept is very similar to Utah's recently enacted Public Improvement District Act discussed in this issue of The Launch Report.

Pam Giss is a Principal at Launch Development Finance Advisors and may be contacted at: (480) 874-4358 or pamelag@launch-dfa.com



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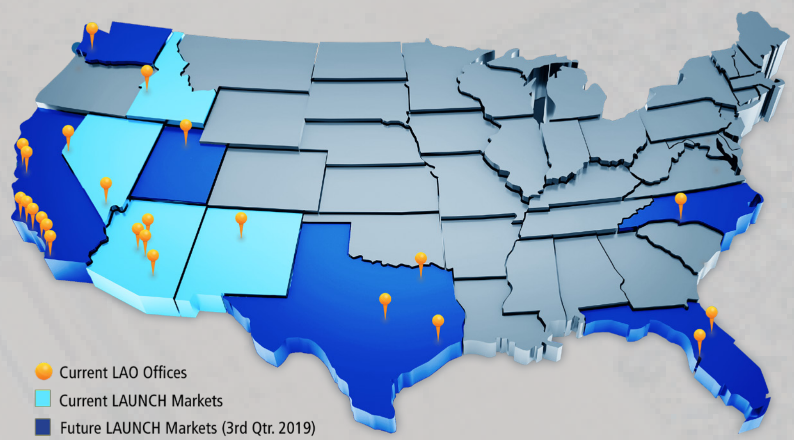
7. Establish Special Taxing District (Launch)
8. Issue Special District Bonds (Launch)
9. District Admin. / Reimbursement Services (Launch)
10. Sell Parcels to Builders (LAO)



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