

# THE LAUNCH REPORT

## 3Q19 NEWSLETTER



### LAUNCH COMBINES WITH LAND ADVISORS ORGANIZATION

We are happy to announce that Launch Development Finance Advisors has combined with Land Advisors Organization ([www.landadvisors.com](http://www.landadvisors.com) and [www.landadvisors.com/ca/](http://www.landadvisors.com/ca/)) with the goal of expanding our geographic reach as well as adding the critical component of infrastructure financing services to a national organization that can truly provide an “end to end solution” for investors, owners and consumers of land.

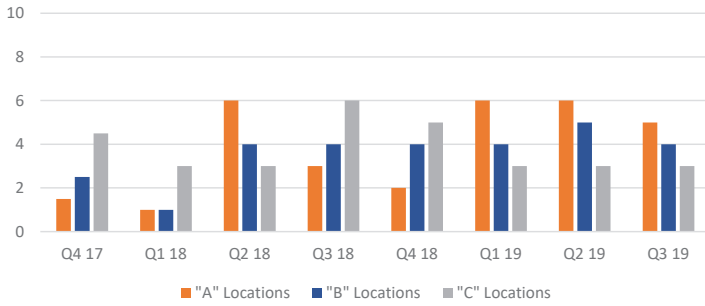
Should you have any questions on how Launch may be able to assist in the financing of your project’s infrastructure in the states of Arizona, California, Colorado, Florida, Idaho, New Mexico, Nevada, North Carolina, Texas, Utah, and/or Washington, please contact Carter Froelich at 855-970-0003 ext. 4355 or email at [carter@launch-dfa.com](mailto:carter@launch-dfa.com). We look forward to being of service.



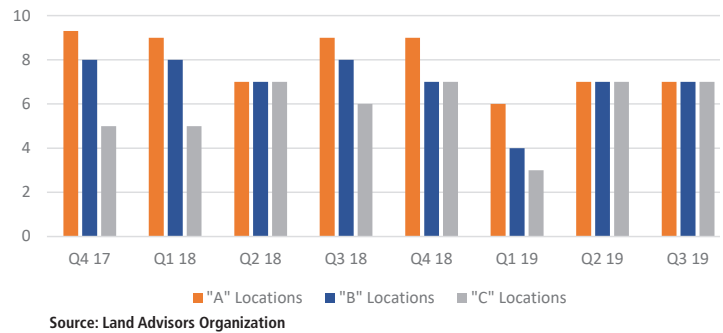


## RESIDENTIAL LAND SURVEY - CA - SACRAMENTO, BAY AREA, LOS ANGELES (3Q19)

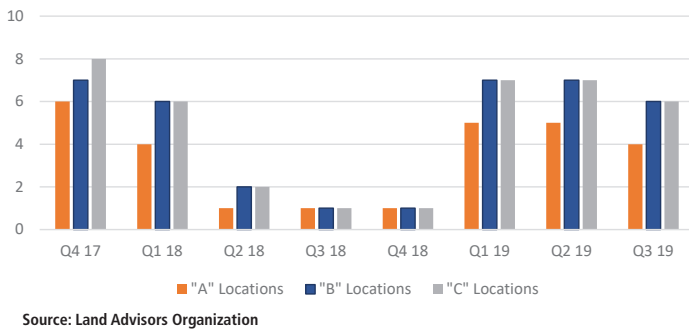
### Sacramento Supply of Finished Lots



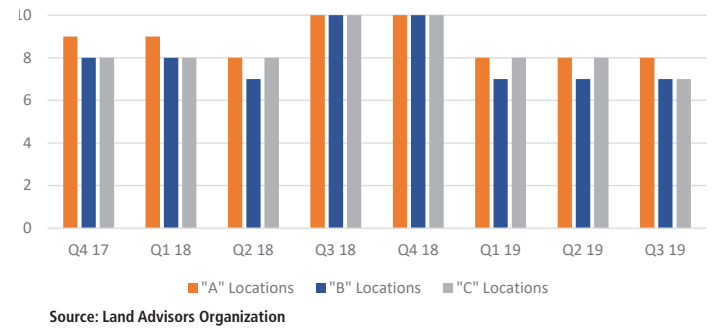
### Sacramento Demand of Finished Lots



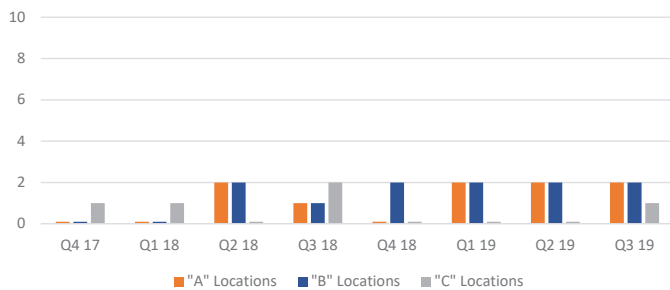
### Bay Area Supply of Finished Lots



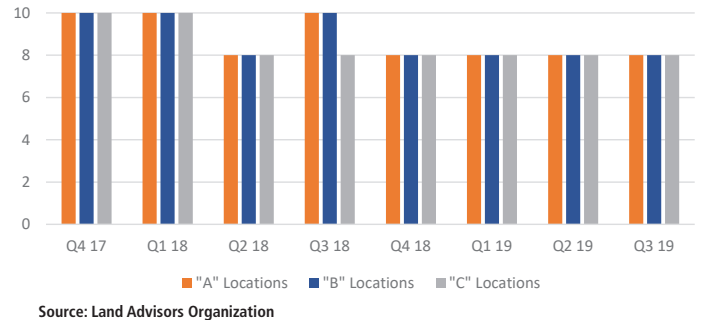
### Bay Area Demand of Finished Lots



### Los Angeles Supply of Finished Lots



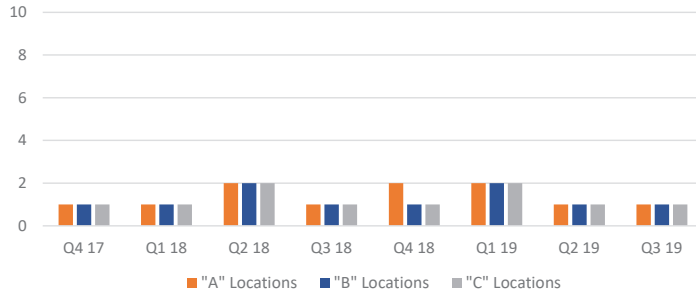
### Los Angeles Demand of Finished Lots





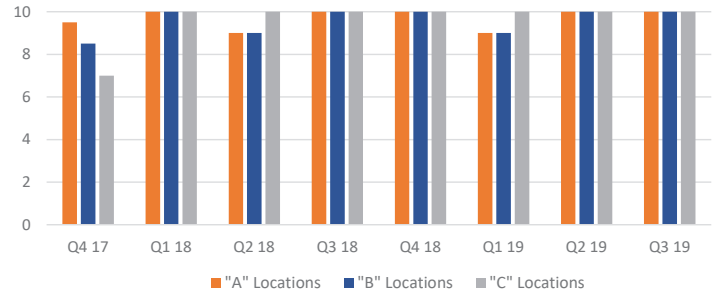
## RESIDENTIAL LAND SURVEY - CA - ORANGE COUNTY, RIVERSIDE, SAN DIEGO (3Q19)

### Orange County Supply of Finished Lots



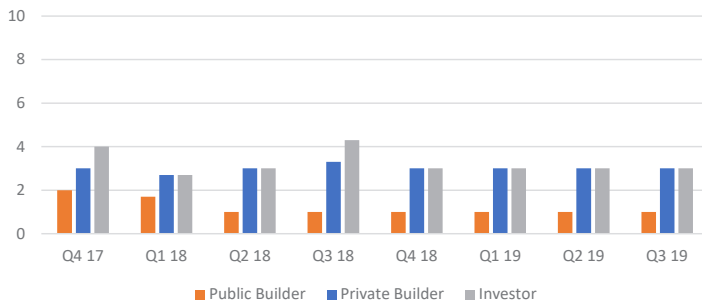
Source: Land Advisors Organization  
^^^ OC has only started tracking FLV as of Q3 2019.

### Orange County Demand of Finished Lots



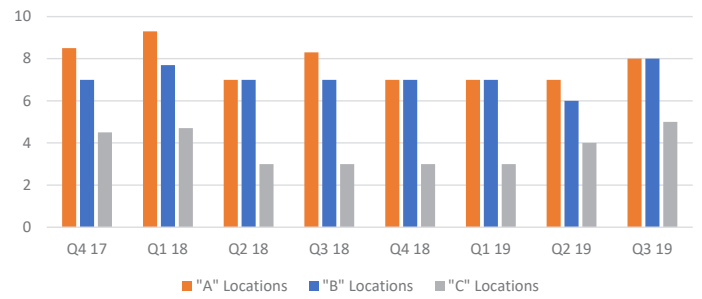
Source: Land Advisors Organization

### Riverside Supply of Finished Lots



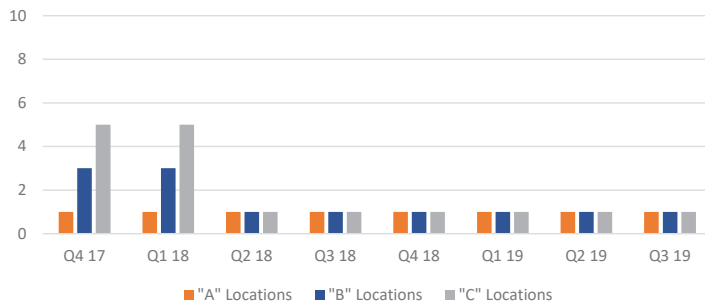
Source: Land Advisors Organization

### Riverside Demand of Finished Lots



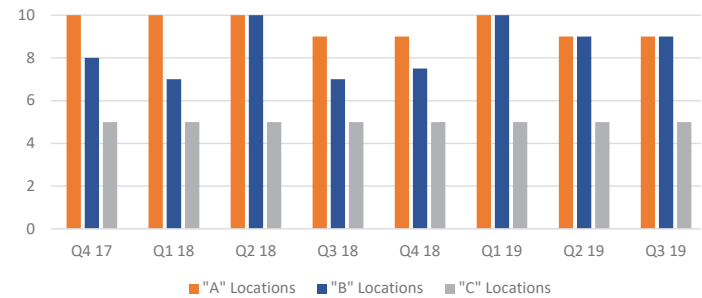
Source: Land Advisors Organization

### San Diego Supply of Finished Lots



Source: Land Advisors Organization

### San Diego Demand of Finished Lots

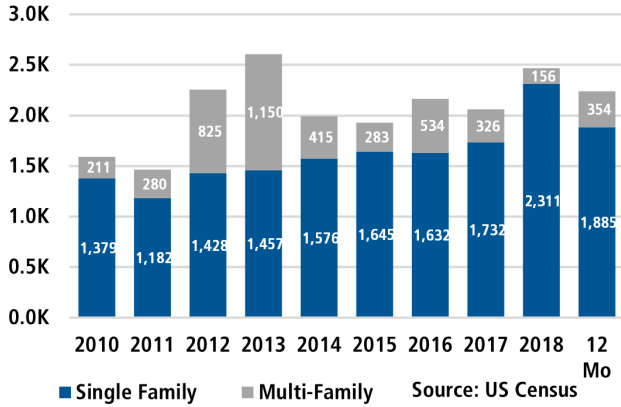


Source: Land Advisors Organization

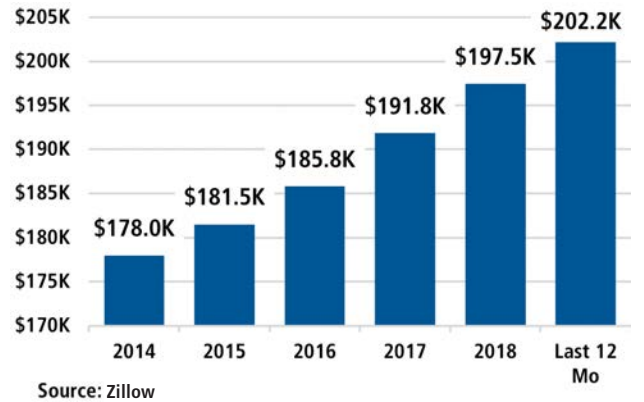


## MARKETS AT A GLANCE - ALBUQUERQUE, BOISE, LAS VEGAS (3Q19)

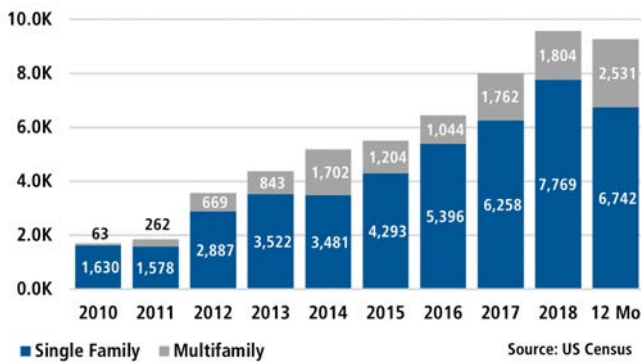
Albuquerque Single Family & Multi-Family Permits



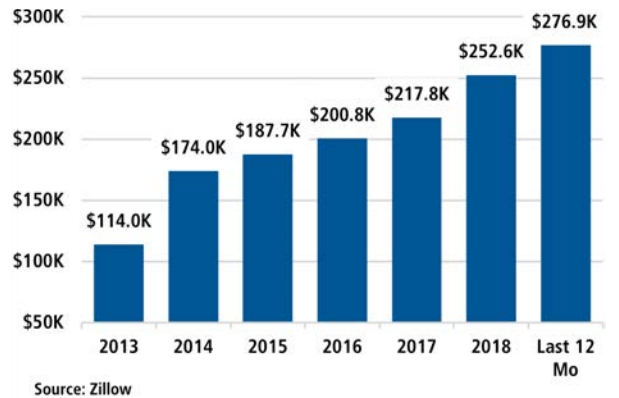
Albuquerque Median Price New & Existing Homes



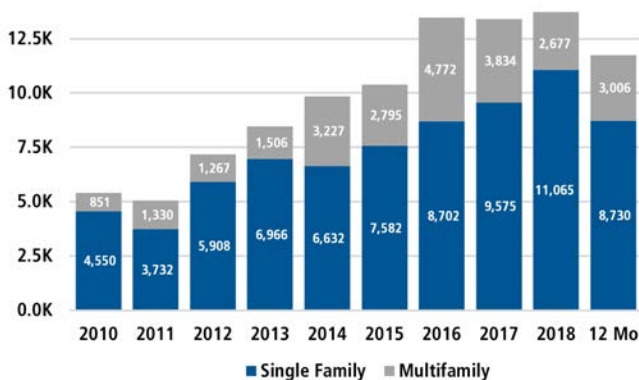
Boise Single Family & Multi-Family Permits



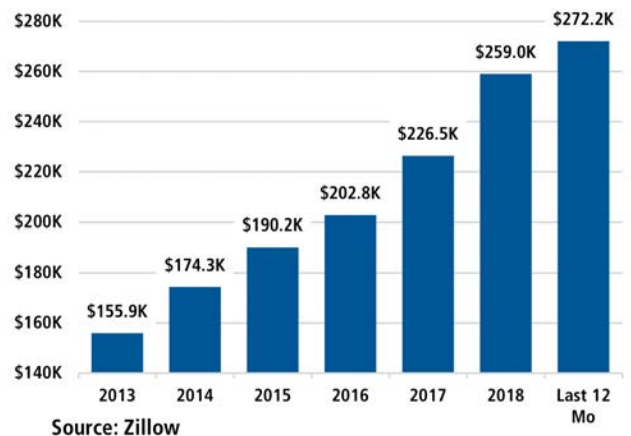
Boise Median Price New & Existing Homes



Las Vegas Single Family & Multi-Family Permits



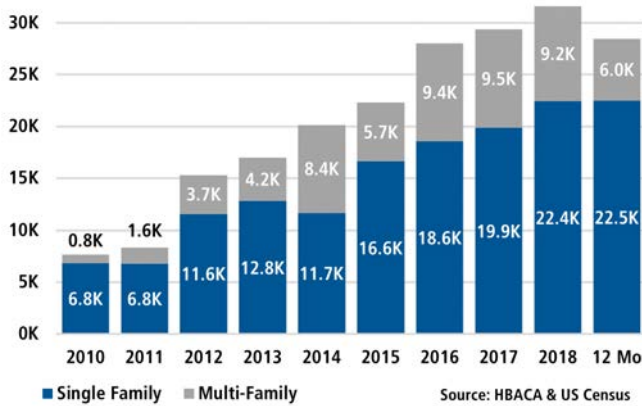
Las Vegas Median Price New & Existing Homes





## MARKETS AT A GLANCE - PHOENIX, RENO, TUCSON (3Q19)

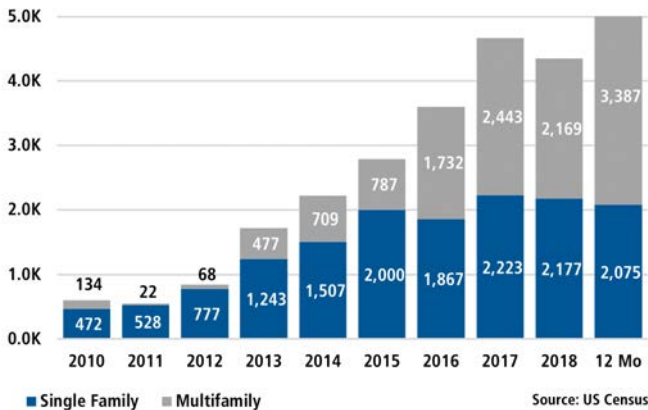
Phoenix Single Family & Multi-Family Permits



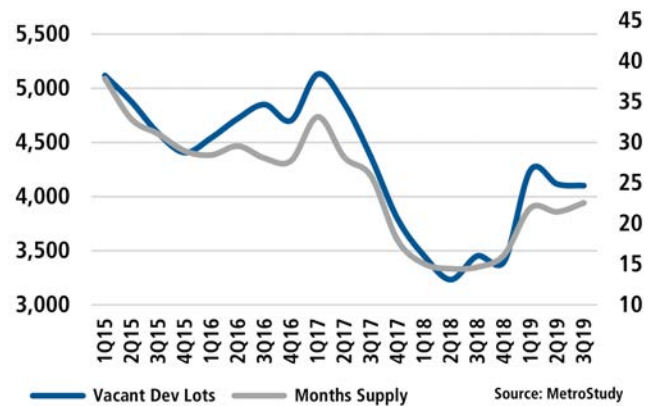
Phoenix Median Price New & Existing Homes



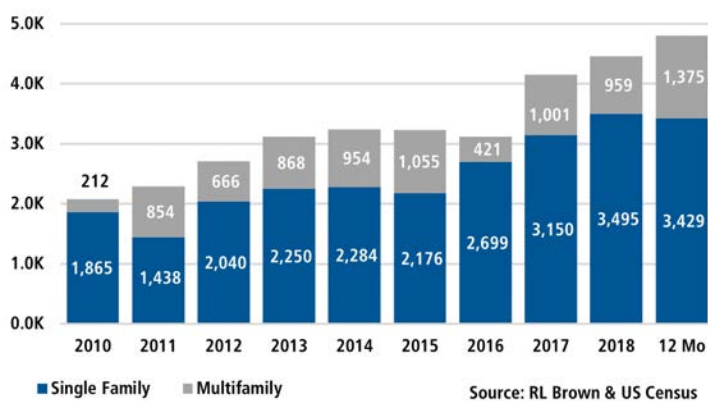
Reno Single Family & Multi-Family Permits



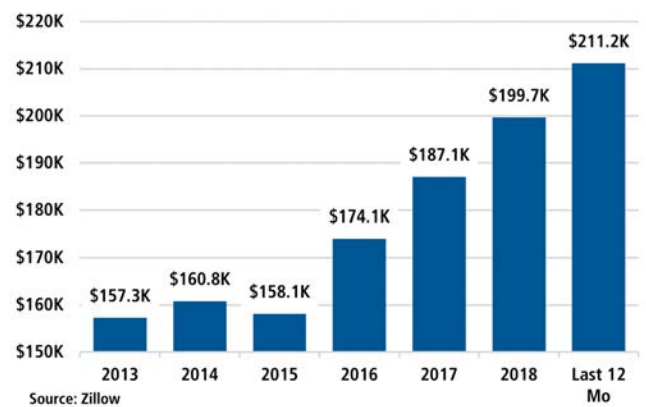
Reno New Home Starts vs Closings



Tucson Single Family & Multi-Family Permits



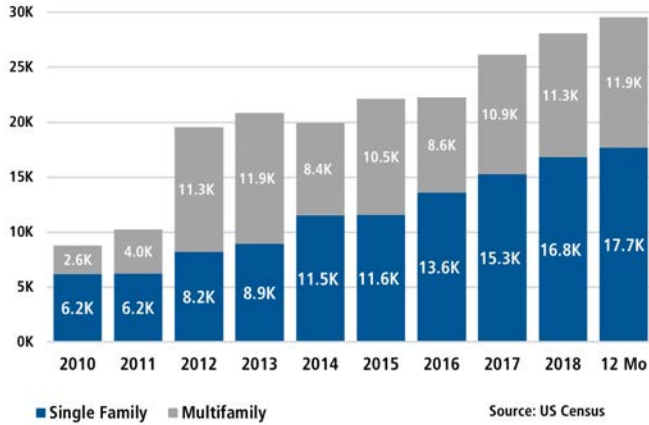
Tucson Median Price New & Existing Homes



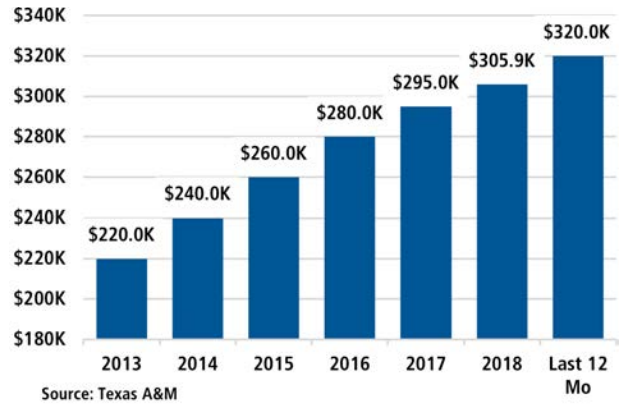


## MARKETS AT A GLANCE - AUSTIN, HOUSTON, DALLAS (3Q19)

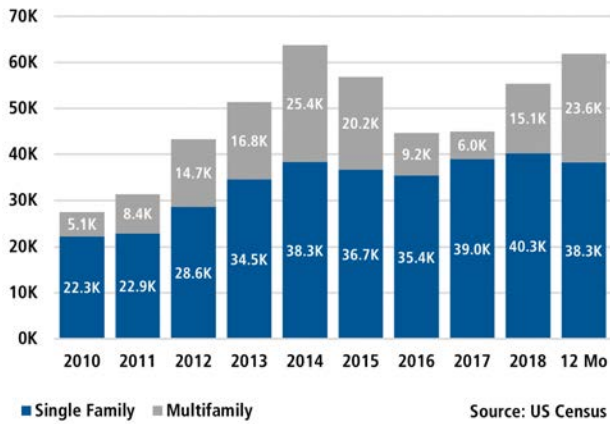
### Austin Single Family & Multi-Family Permits



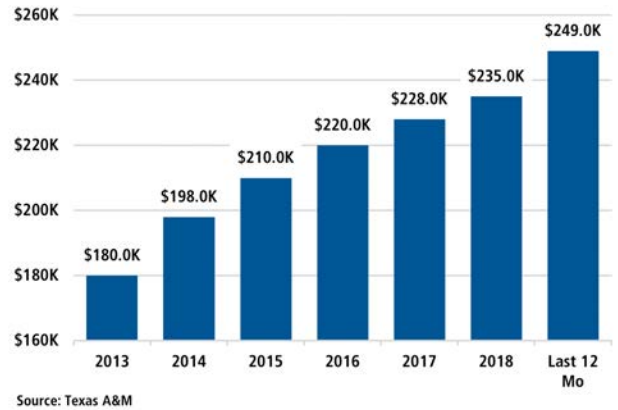
### Austin Median Price New & Existing Homes



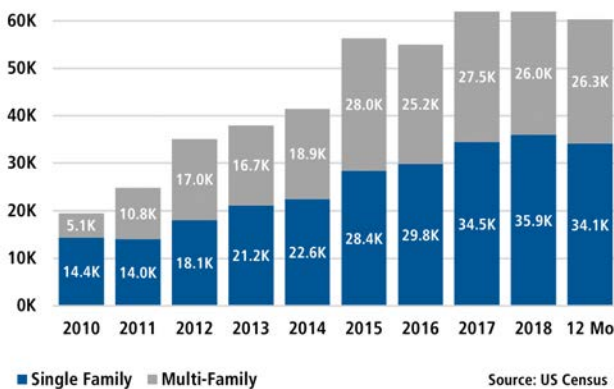
### Houston Single Family & Multi-Family Permits



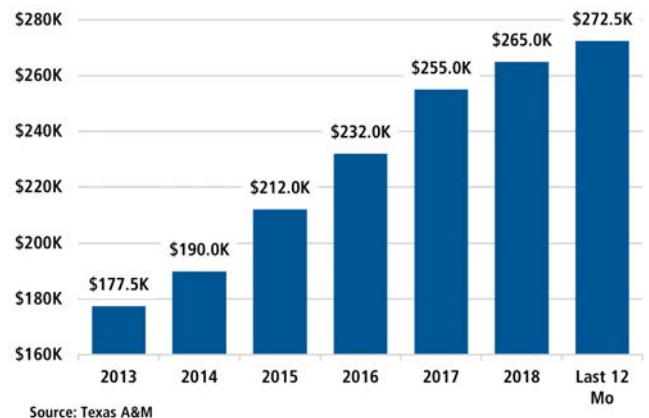
### Houston Median Price New & Existing Homes



### Dallas Single Family & Multi-Family Permits



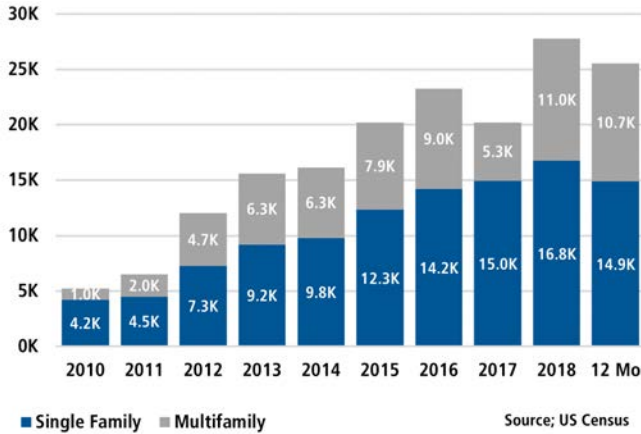
### Dallas Median Price New & Existing Homes



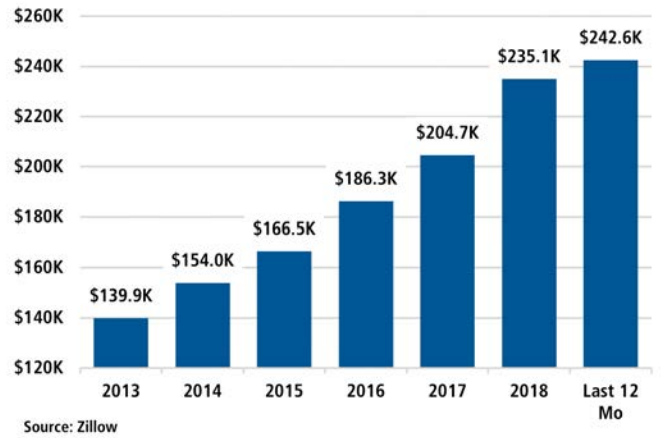


## MARKETS AT A GLANCE - ORLANDO, TAMPA, CHARLOTTE (3Q19)

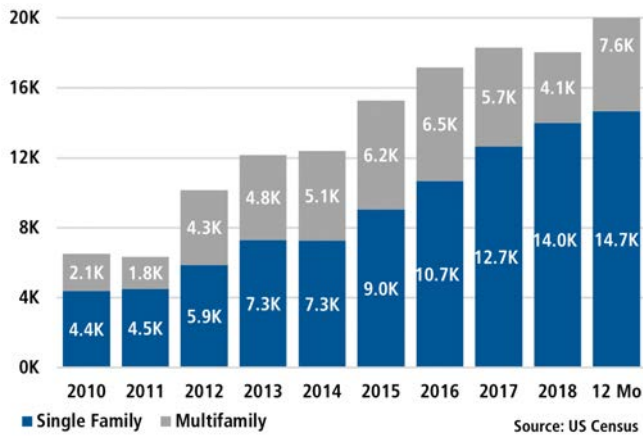
### Orlando Single Family & Multi-Family Permits



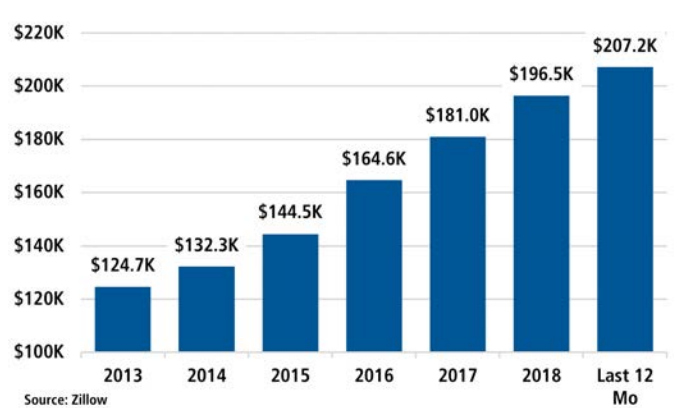
### Orlando Median Price New & Existing Homes



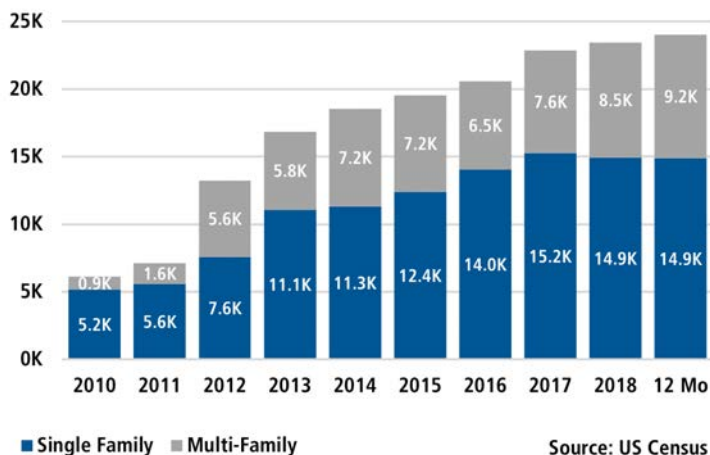
### Tampa Single Family & Multi-Family Permits



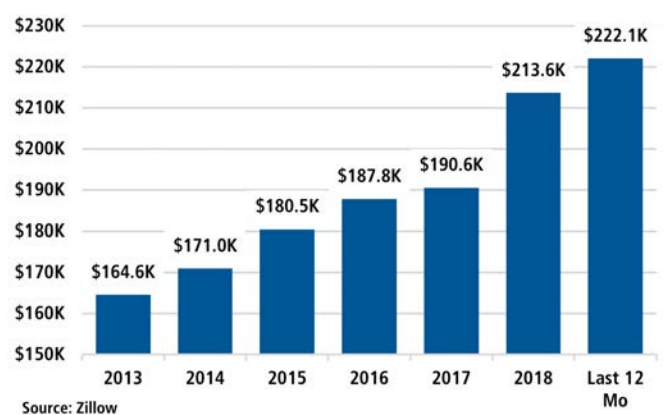
### Tampa Median Price New & Existing Homes



### Charlotte Single Family & Multi-Family Permits



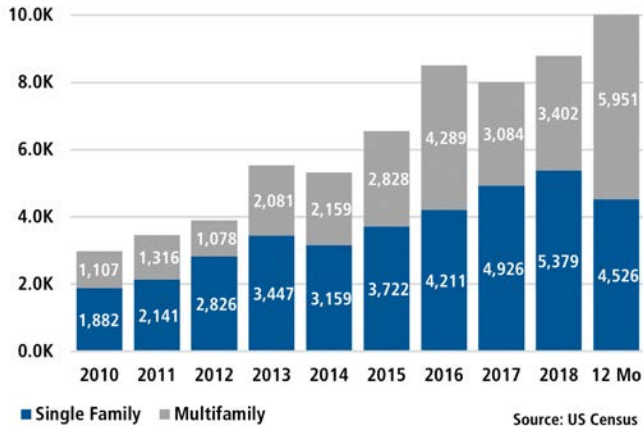
### Charlotte Median Price New & Existing Homes



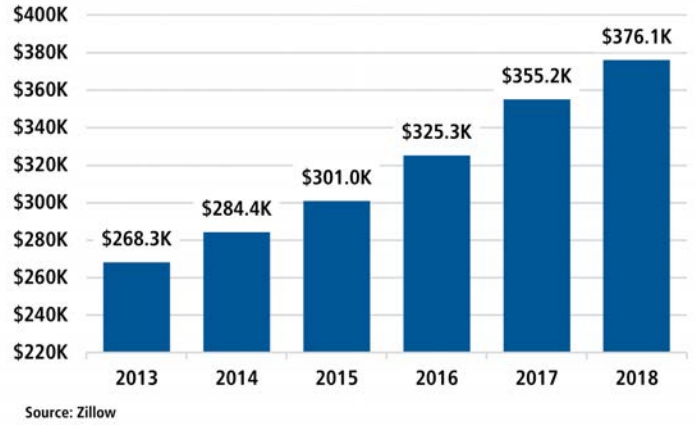


## MARKETS AT A GLANCE - SALT LAKE CITY (3Q19)

### Salt Lake City Single Family & Multi-Family Permits



### Salt Lake City Median Price New & Existing Homes







## The Guest Corner



Eric Higuchi  
Principal Qtative

*This quarter's Launch Report guest writer is Eric Higuchi, a Principal at Qtative. Qtative provides strategic planning, disposition analysis, project and asset management services for real estate assets in all stages of the real estate cycle [www.qtative.com](http://www.qtative.com).*

### Strategic Planning and Land Disposition

The process of selling land for residential development in California is unlike that of any other real estate class. Values are not based on in-place cash flow, comparable sales data points are difficult to apply due to highly variable infrastructure requirements and fees, financing to acquire and develop land is not readily available, and it's not uncommon for escrows to exceed one year.

Accordingly, strategic planning is imperative when preparing to sell land as a development opportunity, not only to maximize value, but is often the only way to successfully consummate a transaction at a reasonable price. Therefore, Sellers, regardless of the condition of their land and sophistication, should engage a qualified consultant team and take an active role in crafting the value-add story, streamlining the diligence process, and be willing to go beyond an as-is, where-is deal structure.

#### *Create the Investment Thesis for the Buyer*

Whether the property is entitled or unentitled, prospective buyers should not be relied upon to establish a value-add thesis (e.g., site plan, product, schedule, entitlements, and revenue). While builders and developers are certainly the experts in product design and construction, they sometimes instinctively default to plot product that they are familiar with or that is "off the shelf" architecture rather than designing what maximizes value and, if the land is unentitled, can be supported by the community.

Accordingly, sellers need to take on the responsibility of gathering good market intelligence and engaging a team of consultants active in the region to craft a vision of the property's potential. Even if in concept only, this advance work alleviates the workload of prospective developers, thereby increasing the number of interested buyers which directly results in an increase in value.

#### *Teeing Up the Diligence*

Every land deal is complex and, even if fully entitled with permits, will have unresolved issues. Developers, or their capital sources, can always be relied upon to identify these issues, and hoping that a buyer will overlook an issue is more akin to a roll of the dice, that usually results in a last-minute renegotiation of purchase price.

Accordingly, an organized diligence file and transparency with respect to the path to developing the property is critical to avoiding wasted time in diligence with a buyer who is not going to close at their proposed price. Further, providing simple items such as a searchable conditions of approval matrix, a template purchase agreement, and/or a FAQ document may even add value by incentivizing more developers to spend their time analyzing a project that they can efficiently underwrite rather than having to sift through a disorganized diligence file and propose a price they know they will need to revisit.



## Strategic Planning and Land Disposition

Continued

### *Deal Structure*

The only reliable mechanism for a prospective buyer to mitigate risk is deal structure. Accordingly, in this tightening market, splitting risks with the Buyer is often the difference between receiving a few offers and no offers at all. However, the pitfall of being open to creative deal structures is lacking specificity on terms that a seller is willing to live with. Understandably, Seller's do not want to limit their options and leave money on the table, however, from the buyer perspective, guessing what the seller's internal priorities, risk tolerances, timeline, and return metrics often leaves most buyers feeling like they are negotiating against themselves. Accordingly, buyers often submit half-baked offers knowing they are in for multiple rounds of questions, comments, and revisions as the seller goes through the process of self-discovery.

For prospective buyers, deal structure does not have to be limited to options or seller carry back financing. Risk can be mitigated on the sell side with the use of hold backs, profit or price participation, sharing in the proceeds from an assessment district, or monetization of credits or infrastructure reimbursements.

### *Conclusion*

Selling land has never been easy and with the perception that the U.S. is beyond the mid-point of an economic cycle, developers and their capital sources are ultra-focused on mitigating risk with any new investment. Hoping that buyers will neglect to conduct a proper due diligence or rely on market appreciation to cover up underwriting mistakes is not realistic. Proactive, strategic planning, even at some advance cost to the seller, is often the difference between securing the right buyer at a reasonable price versus going through multiple escrows with multiple buyers over a protracted period of time and potentially missing the cycle.

*For more information on strategic planning and/or deal structuring contact Eric Higuchi at 949-290-7510 or email [ehiguchi@qtative.com](mailto:ehiguchi@qtative.com).*

## Financing Diagnostic - How Are The Top 15 Selling 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 prepared a financing diagnostic matrix to illustrate how the top 15 selling communities are financing a portion of their public infrastructure.

As illustrated below, these communities are employing the use of special purpose taxing districts ("District") to issue non-recourse, long term, tax exempt bonds to finance the construction and/or reimbursement of public infrastructure costs. The amount of funding differs between communities but ranges from \$2,900 per unit on the low end to \$135,000 per unit on the high end. The average net construction proceeds generated by District financing for the top 15 communities is approximately \$27,000 per unit.

While using Districts will increase the total effective property tax rate for residents in the community, total property taxes expressed as a percentage of home price ranges from 0.99 percent on the low end and, 2.52 percent on the high end. The average property tax rate as a percentage of home price for the top selling master planned communities was 1.64%.

*Should you have any questions related to information presented above contact Carter Froelich, CPA at 855-970-0003 ext. 4355 or email at [carter@launch-dfa.com](mailto:carter@launch-dfa.com) or Pam Giss at 480-874-4358 or email at [pamelag@launch-dfa.com](mailto:pamelag@launch-dfa.com).*



## 3Q19 Top Selling Master Planned Communities

By Carter Froelich, CPA

# TOP-SELLING MASTER-PLANNED COMMUNITIES MY 2019 INFRASTRUCTURE FINANCING MECHANISMS

RCLCO  
REAL ESTATE ADVISORS



Rank	MPC (1)	MSA (City, State) (1)	Total Units Sold Mid 2019	Public Financing / District (Y/N)	Special District Financing Metrics (2)					
					Sample Avg. Home Price	Sample Annual Prop. Tax (excluding District)	Sample Annual District Tax Payment (calc)	Sample Annual Total Property Taxes (calc)	Est. Prop. Tax as % of Sample Home Price (calc)	Est. Net Const. Proceeds for Sample Lot
1	The Villages	The Villages (FL)	1000	Y	\$375,000	\$5,523	\$1,781	\$7,304	1.95%	\$23,880
2	Lakewood Ranch	North Port-Sarasota-Bradenton (Sarasota, FL)	824	Y	\$329,000	\$2,973	\$1,389	\$4,362	1.33%	\$15,799
3	West Villages	North Port-Sarasota-Bradenton (Venice, FL)	679	Y	\$403,054	\$6,238	\$1,660	\$7,898	1.96%	\$19,301
4	Summerlin	Las Vegas-Henderson-Paradise (Las Vegas, NV)	675	Y	\$532,445	\$6,112	\$772	\$6,885	1.48%	\$11,208
5	Nocatee	Jacksonville (Ponte Vedra, FL)	535	Y	\$350,000	\$4,776	\$1,385	\$6,162	1.97%	\$11,209
6	Irvine Ranch	Los Angeles-Long Beach-Anaheim (Orange County, CA)	500	Y	\$856,000	\$14,563	\$10,570	\$16,144	1.89%	\$135,481
7	Ontario Ranch	Riverside-San Bernardino-Ontario (Ontario, CA)	474	Y	\$401,550	\$4,333	\$3,241	\$7,573	1.89%	\$18,187
8	Eastmark	Phoenix-Mesa-Scottsdale (Mesa, AZ)	469	Y	\$320,000	\$2,426	\$982	\$3,408	1.06%	\$13,655
9	Sonterra	Austin-Round Rock (Jarrell, TX)	455	Y	\$182,766	\$2,872	\$1,732	\$4,604	2.52%	\$27,699
10	Daybreak	Salt Lake City (South Jordan, UT)	362	Y	\$250,000	\$1,630	\$1,733	\$3,363	1.35%	\$2,853
11	Bridgeland	Houston - The Woodlands-Sugar Land (Cypress, TX)	351	Y	\$250,000	\$1,989	\$3,469	\$5,458	2.18%	\$50,772
12	Inspirada	Las Vegas-Henderson-Paradise (Las Vegas, NV)	344	Y	\$300,000	\$3,582	\$556	\$4,138	1.38%	\$6,607
13	Cane Bay Plantation	Charleston-North Charleston (Charleston, SC)	326	N						
14	Cadence (3)	Las Vegas-Henderson-Paradise (Henderson, NV)	321	Y	\$450,000	\$4,566	\$-	\$4,566	1.01%	\$12,859
14	Stapleton	Denver-Aurora-Lakewood (Denver, CO)	321	Y	\$550,000	\$3,463	\$1,977	\$5,440	0.99%	\$29,179
Total Home Sales or MPC's Utilizing Special Taxing Districts / Average			7636	14	\$396,415	\$4,646	\$2,232	\$6,236	1.64%	27,049
Percentage of Home Sales Occurring Within MPC Using Special Taxing Districts			95.7%							

Source: RCLCO Real Estate Advisors & Launch Development Finance Advisors

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

(2) 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.

(3) According to the Redevelopment Association of Nevada, the Henderson Redevelopment Agency provided a \$208 million tax increment subsidy to Cadence to finance infrastructure costs.



## Do You Understand Your Developer Continuing Disclosure Obligations?

By Pamela Giss

Across the country, more developers are accessing the tax-exempt bond market to finance public infrastructure improvements integral to development projects. To access this resource, developers must commit to providing ongoing financial information and operating data to bondholders and other market participants in the form of a Developer Continuing Disclosure Certificate or Undertaking ("Disclosure Certificate"). The form of Disclosure Certificate is attached to the preliminary official statement for review by the developers prior to issuance of any bonds. Developers should be familiar with these obligations and identify responsible parties within their organizations and/or outside agents ("Dissemination Agent") prior to issuance of the official statements.

Disclosure Certificates typically require developers to provide semi-annual reports describing changes in the development (frequently the progress of construction and sales/leasing efforts), a statement that the developer has made all required payments before delinquency, and updates to information provided in the official statement since the date of the last Disclosure Certificate.

To supplement these semi-annual filings, developers are required to report "listed events" focused on adverse financial or development events outlined in the Disclosure Certificate that could have a material adverse effect on the developer's ability to complete the improvements or make payments on the bonds. A "listed event" may include bankruptcy or other adverse financial events, negative legislative changes that threaten the project or development, litigation or amendments to entitlements, or government-imposed preconditions.

The Disclosure Certificates are filed by the Dissemination Agent with the Municipal Securities Rulemaking Board on its [EMMA.mrsb.org](http://EMMA.mrsb.org) website and the contents of the Disclosure Certificate are subject to the securities fraud liability of Rule 10b-5 of the Securities Exchange Act of 1934. Failure to comply with the filing requirements of the Disclosure Certificate is an event of default for which the jurisdiction, bondholders, and district have a right to specific performance. In addition, the developer may face an action by the bondholders claiming they would not have bought, sold, or continued to hold the bonds had the developer complied with the requirements of the Disclosure Certificate.

Failure to accurately report required information in the filing including misstatements and omissions of information can lead to liability for securities fraud. In recent years, the Securities and Exchange Commission has aggressively sought to enforce compliance with participants in the municipal bond market.

Accordingly, developers are encouraged to take the following actions to avoid unnecessary liability:

1. Review and understand the requirements of the Disclosure Certificate;
2. Identify a responsible party in the organization on or before closing;
3. Hire an external Dissemination Agent familiar with the disclosure requirement to assist with filing;
4. Discuss potential "listed events" with the Dissemination Agent to determine materiality;
5. Maintain accurate internal records for use in completing semi-annual reports; and
6. Timely respond to all continuing disclosure requests from the Dissemination Agent.

*For information on Continuing Disclosure requirements or the services that Launch Development Finance Advisors offer, please contact Pamela Giss at (480) 874-4358 or email at [pamelag@launch-dfa.com](mailto:pamelag@launch-dfa.com).*



## Importance of Reimbursement Agreements For Nevada Special Improvement Districts

By Tim Hilton

Special Improvement Districts (“SIDs” and/or “District(s)”) are the prominent financing tool used by Nevada developers to finance the cost of public improvements pursuant to Nevada Revised Statutes 271 et seq (the “Act”). With a SID, assessment bonds are issued and secured by assessment liens placed upon property within the boundaries of the District which benefit from the improvements being financed through the District. Once the developer has completed a public improvement, the District reimburses the developer for the cost of the improvement (up to certain limits outlined in the District Development Financing Agreement (“DFA”)).

Most development projects in Nevada use multiple SIDs to finance eligible public improvement costs. The Districts are typically coterminous with the development phasing of the project. As the initial phase of a development project requires off-site and on-site improvements that benefit future phases of the development, and given the fact that pursuant to the Act benefiting parcels must fund their fair share costs of public improvements, the initial phase of a development cannot finance all of these project wide improvement costs.

In order to avoid overburdening the project with debt, and for the developer to preserve their ability to be reimbursed for the excess unreimbursed costs through future Districts, it is imperative that the developer enter into a reimbursement agreement.

A reimbursement agreement is a written agreement between the jurisdiction and the developer that allows the developer to be reimbursed for the excess costs of the project wide improvements that benefit future phases within the project. Without a reimbursement agreement in place, the developer will not be able to be reimbursed for excess costs benefiting future phases. Within a reimbursement agreement it is important to outline public improvement projects which are subject to the terms of the reimbursement agreement and their related costs, as well as an allocation methodology related to how the costs are allocated to benefiting lands.

As the professionals at Launch Development Finance Advisors have assisted the private sector in all new Nevada development SIDs since 2010, we have the requisite experience to assist in the preparation of reimbursement agreements that ensure that developers are reimbursed for all of their eligible public infrastructure costs.

*If you are interested in learning more about reimbursement agreements, please contact Tim Hilton at (480) 874-4357 or email at [timh@launch-dfa.com](mailto:timh@launch-dfa.com).*



# THE END TO END ADVANTAGE™

1. Land Purchase (LAO)
2. Planning / Builder Needs Analysis (Launch / LAO/ Qtative)
3. Assist with Entitlements (Launch/Qtative)
4. Prepare Infrastructure Financing Strategies (Launch/ Qtative)
5. Prepare Pro Forma Cash Flows (Launch)
6. Interim Construction Financing (Launch / LAO)
7. Establish Special Taxing District (Launch)
8. Issue Special District Bonds (Launch)
9. District Admin. / Reimbursement Services (Launch)
10. Sell Parcels to Builders (LAO)



## LAUNCH

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