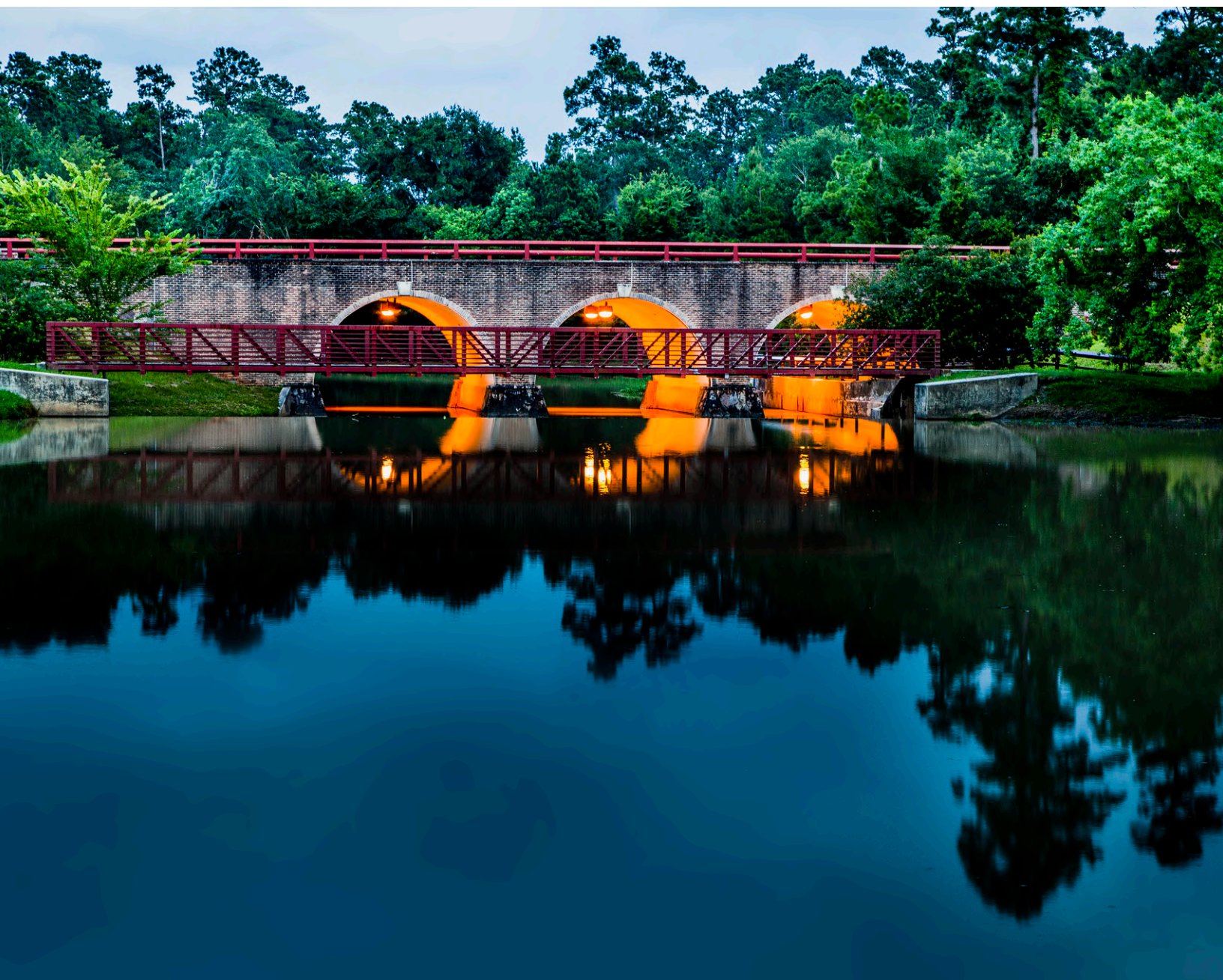


THE LAUNCH REPORT

4Q19 NEWSLETTER



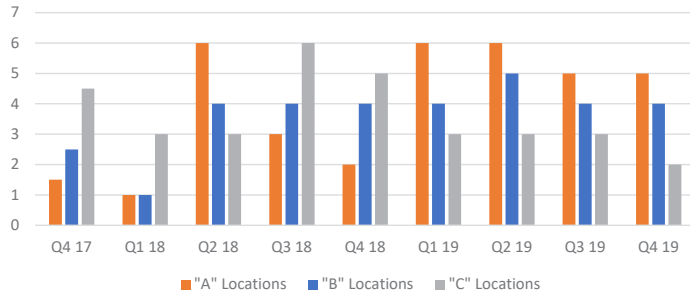
LAUNCH

DEVELOPMENT FINANCE ADVISORS



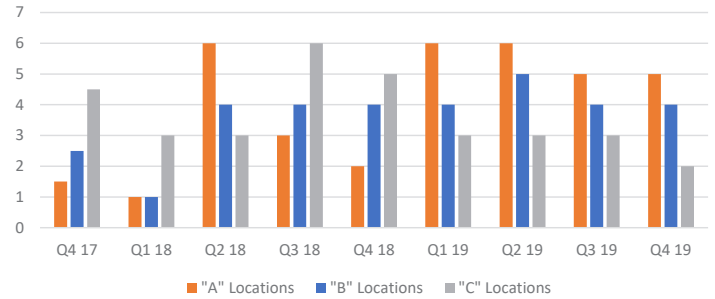
RESIDENTIAL LAND SURVEY - CA - SACRAMENTO, BAY AREA, LOS ANGELES (4Q19)

Sacramento Supply of Finished Lots



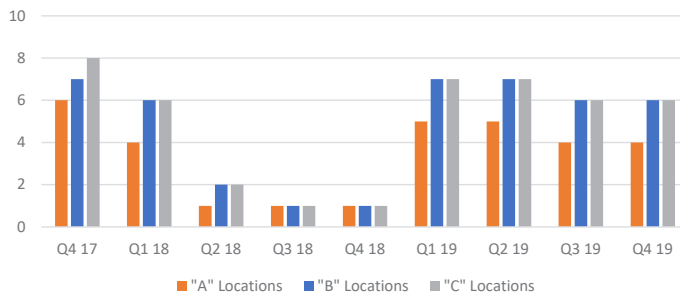
Source: Land Advisors Organization

Sacramento Demand of Finished Lots



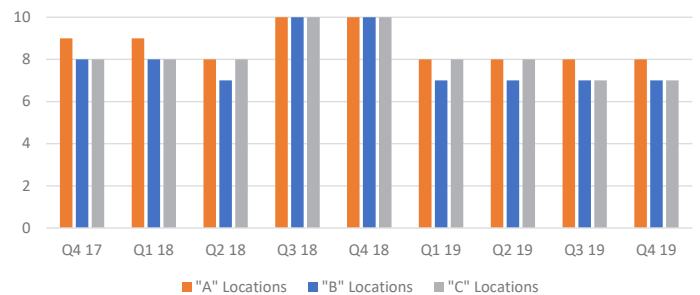
Source: Land Advisors Organization

Bay Area Supply of Finished Lots



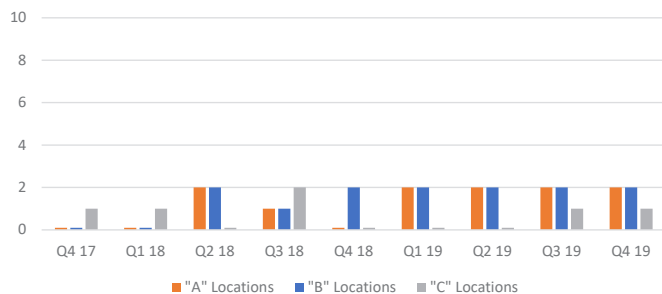
Source: Land Advisors Organization

Bay Area Demand of Finished Lots



Source: Land Advisors Organization

Los Angeles Supply of Finished Lots



Source: Land Advisors Organization

Los Angeles Demand of Finished Lots

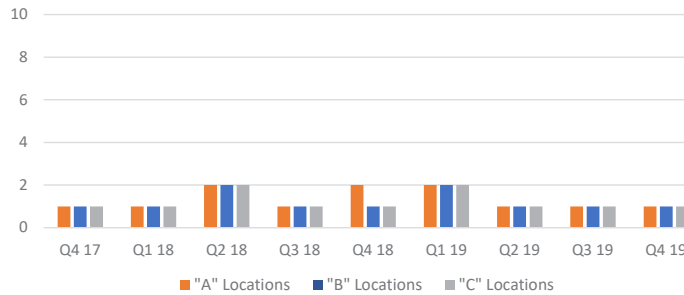


Source: Land Advisors Organization



RESIDENTIAL LAND SURVEY - CA - ORANGE COUNTY, RIVERSIDE, SAN DIEGO (4Q19)

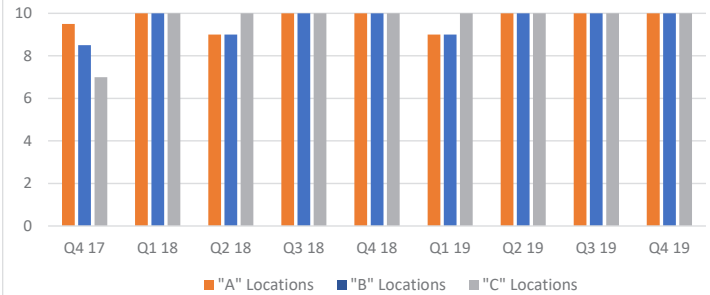
Orange County Supply of Finished Lots



Source: Land Advisors Organization

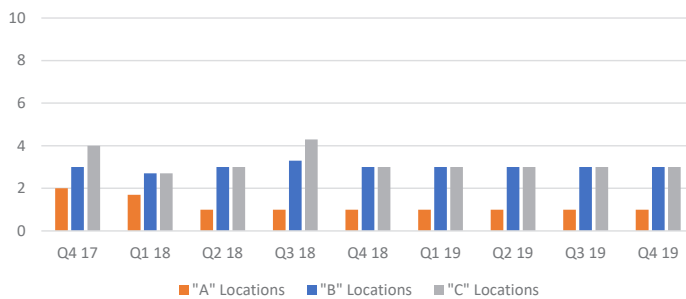
^^^ OC has only started tracking FLV as of Q3 2019.

Orange County Demand of Finished Lots



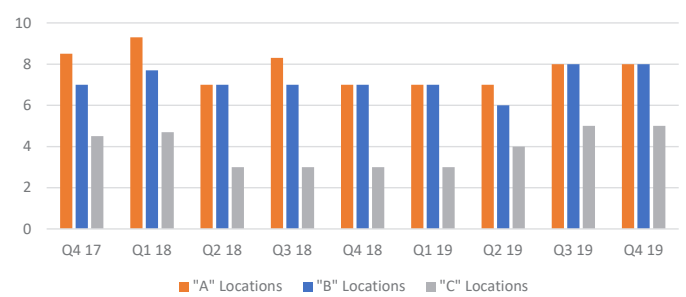
Source: Land Advisors Organization

Riverside Supply of Finished Lots



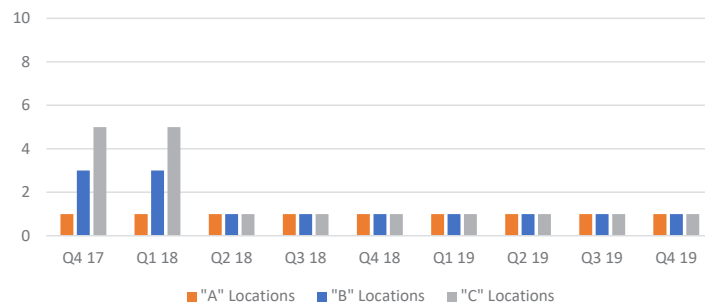
Source: Land Advisors Organization

Riverside Demand of Finished Lots



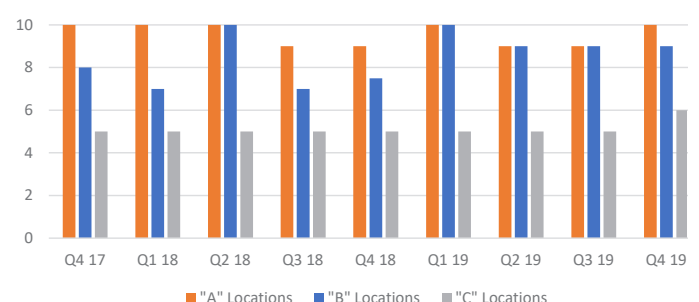
Source: Land Advisors Organization

San Diego Supply of Finished Lots



Source: Land Advisors Organization

San Diego Demand of Finished Lots

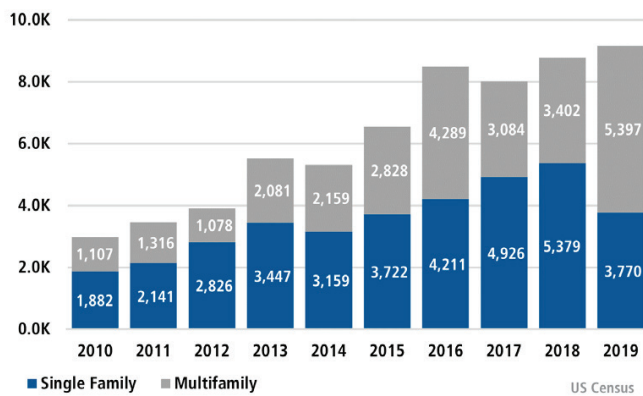


Source: Land Advisors Organization

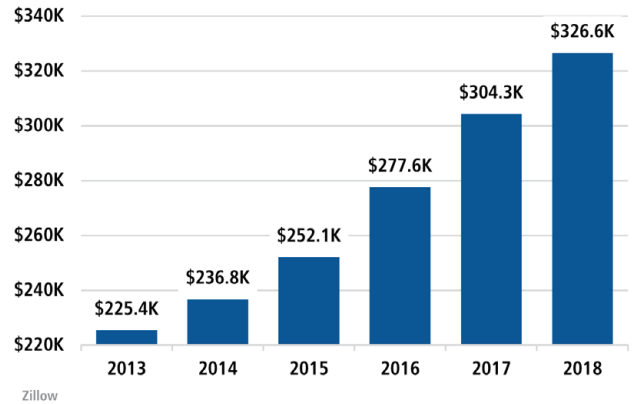


MARKETS AT A GLANCE - UTAH, BOISE, LAS VEGAS (4Q19)

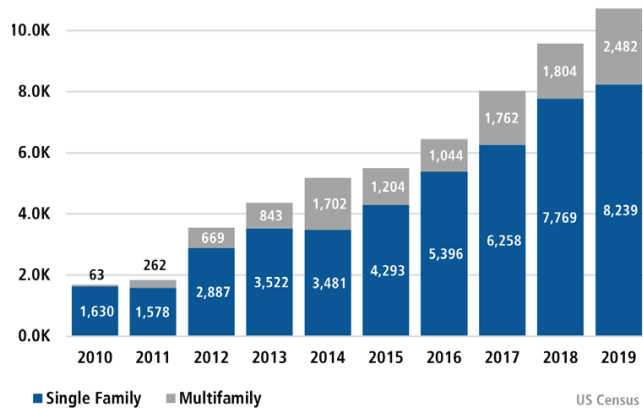
Utah Single Family & Multi-Family Permits



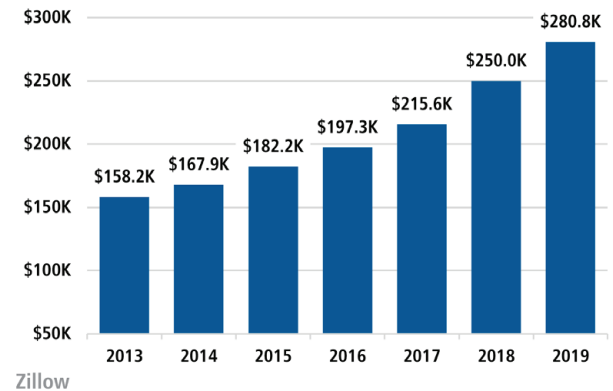
Utah Median Price New & Existing Homes



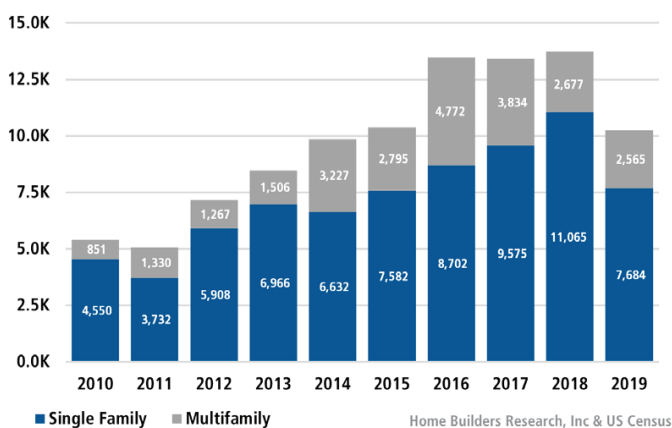
Boise Single Family & Multi-Family Permits



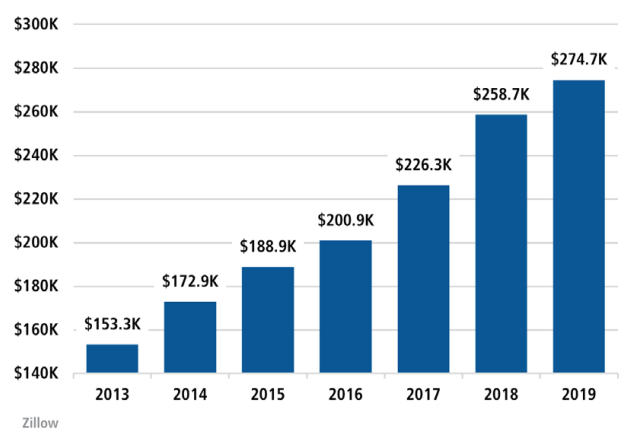
Boise Median Price New & Existing Homes



Las Vegas Single Family & Multi-Family Permits



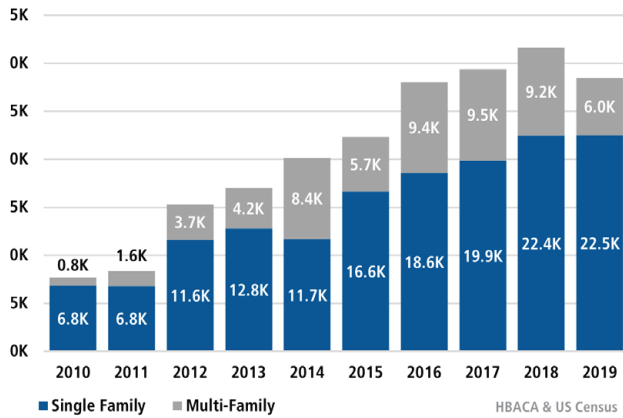
Las Vegas Median Price New & Existing Homes



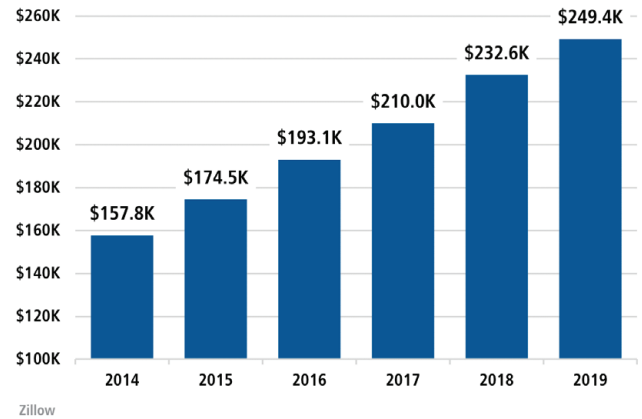


MARKETS AT A GLANCE - PHOENIX, RENO, TUCSON (4Q19)

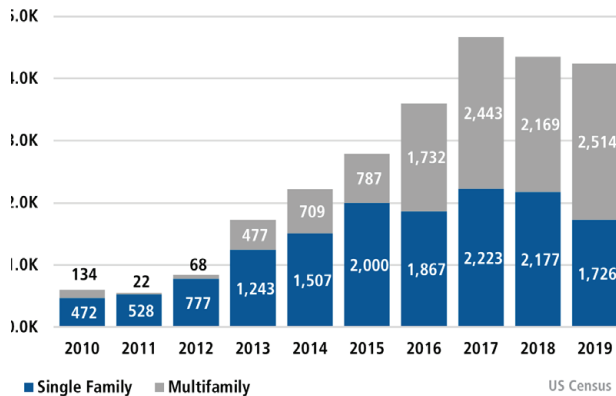
Phoenix Single Family & Multi-Family Permits



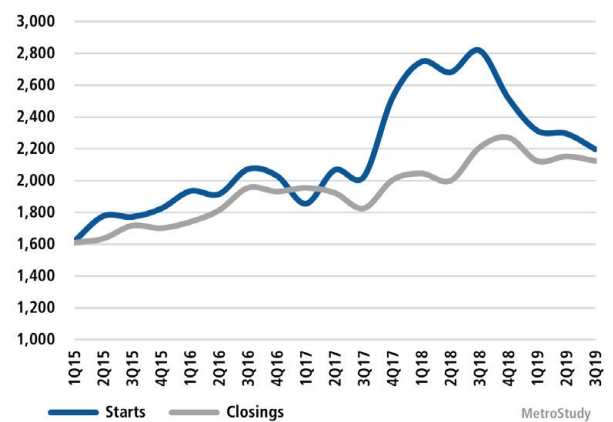
Phoenix Median Price New & Existing Homes



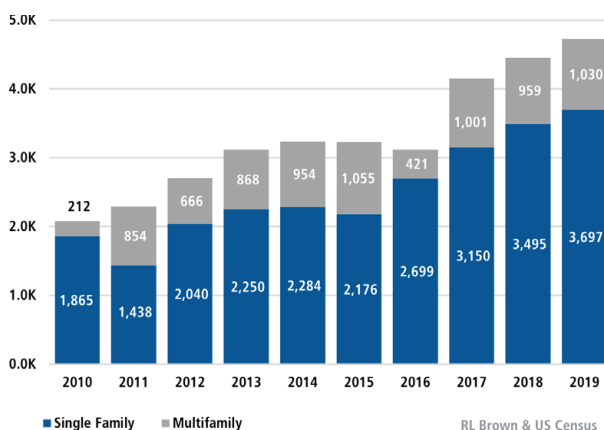
Reno Single Family & Multi-Family Permits



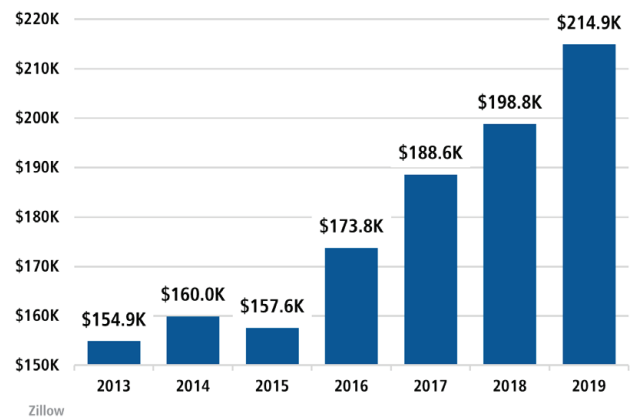
Reno New Vacant Developed Lots & Months Supply



Tucson Single Family & Multi-Family Permits



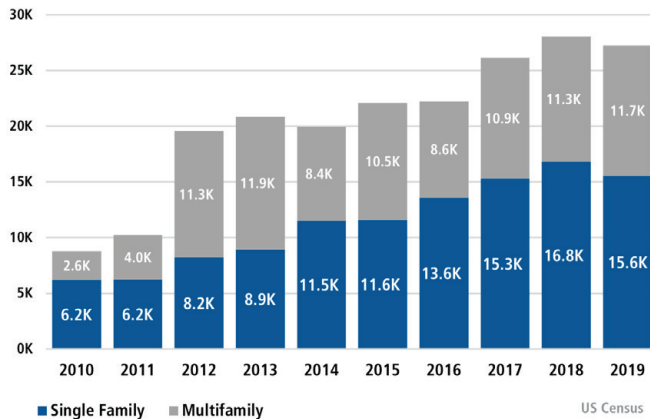
Tucson Median Price New & Existing Homes



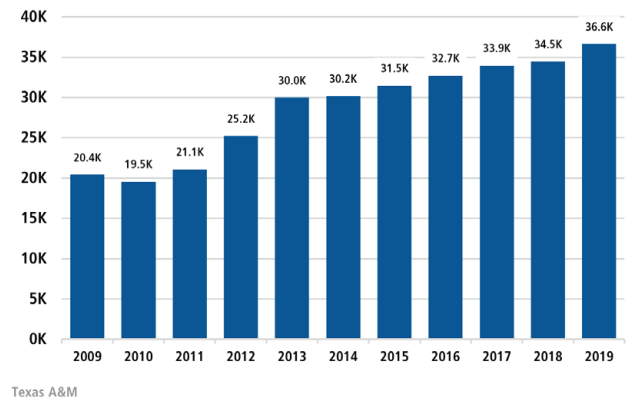


MARKETS AT A GLANCE - AUSTIN, HOUSTON, DALLAS (4Q19)

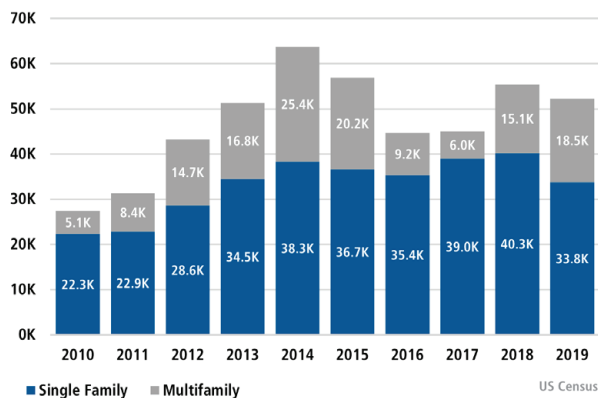
Austin Single Family & Multi-Family Permits



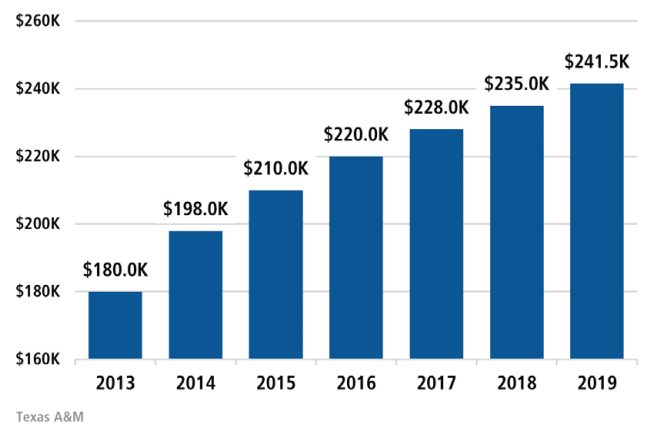
Austin Median Price New & Existing Homes



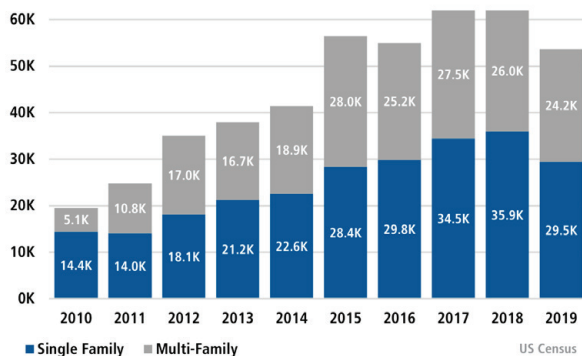
Houston Single Family & Multi-Family Permits



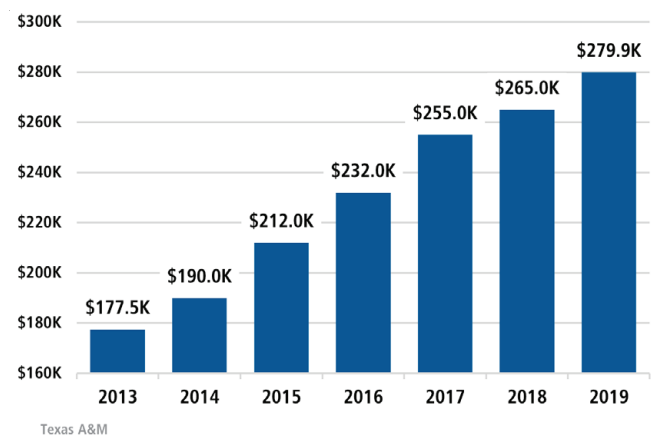
Houston Median Price New & Existing Homes



Dallas Single Family & Multi-Family Permits



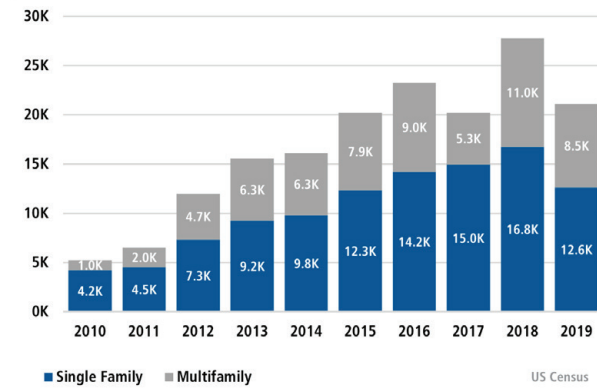
Dallas Median Price New & Existing Homes



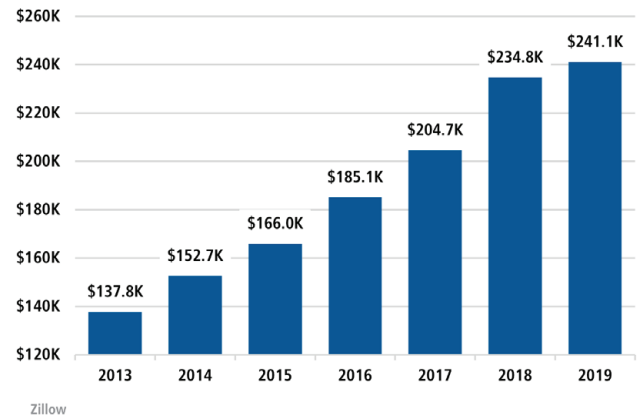


MARKETS AT A GLANCE - ORLANDO, TAMPA, CHARLOTTE (4Q19)

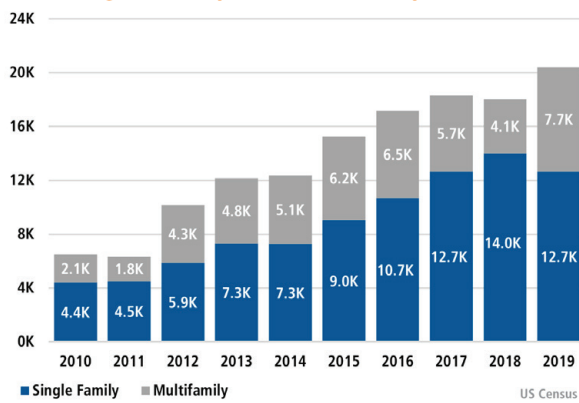
Orlando Single Family & Multi-Family Permits



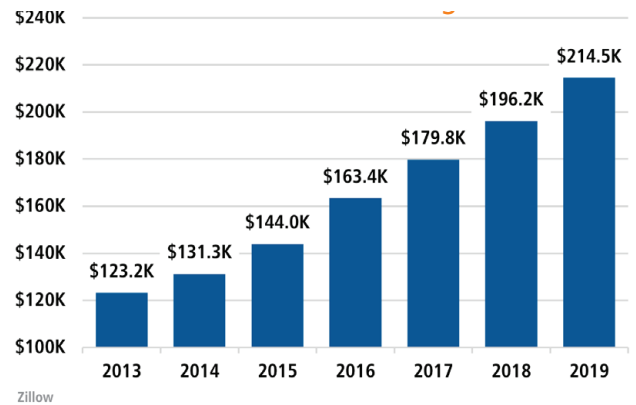
Orlando Median Price New & Existing Homes



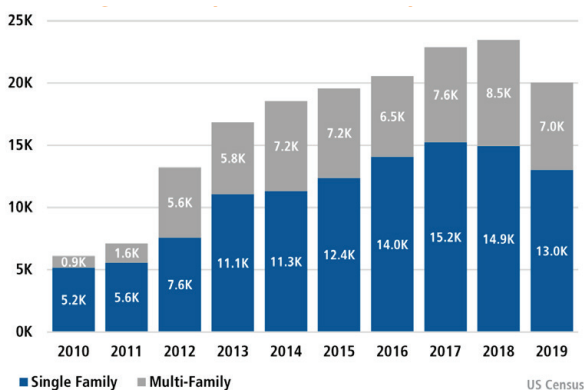
Tampa Single Family & Multi-Family Permits



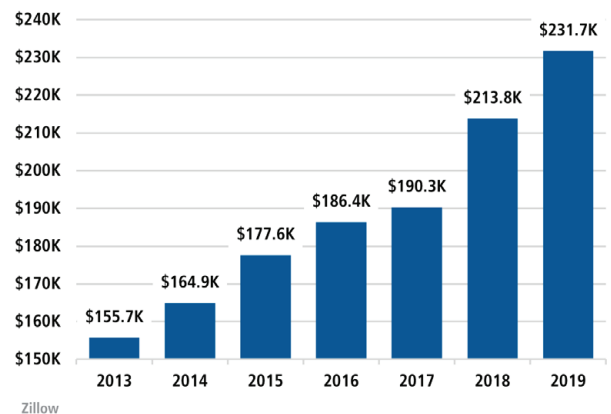
Tampa Median Price New & Existing Homes



Charlotte Single Family & Multi-Family Permits



Charlotte Median Price New & Existing Homes





The Guest Corner



Hal Guggolz, Advisor

Given the positive press that Austin, Texas has been receiving, we thought that a deeper dive into the mechanics of the land market was warranted. In this quarter's Guest Corner, Hal Guggolz and Josh Cameron of the Austin Office of Land Advisors Organization have prepared a review of the dynamics of the Austin area land market.



Josh Cameron, Advisor

Austin, Texas- The Growing Housing Demand and The Drive East

By Hal Guggolz & Josh Cameron

Since the great recession, Austin has experienced some of the highest percentage of housing and job recovery and growth in the nation. Austin consistently receives great acclaim from national news outlets and market experts. The end of 2019 showcased the best new housing performance ever recorded for the Capital City of Texas. Similarly, 2020 is off to a very strong start signaling the trend will continue to be positive. Interest rates remain low, millennials and baby boomers are on the move and the economy in Austin is diverse by sector and is among the top performing MSA's in the country.

The Austin MSA ranked #2 in the nation for job growth in 2019 with a 3.5% increase and 37,800 new jobs. All indications point to continued corporate investment including The Army Futures Command, Austin Bergstrom International Airport (ABIA) expansion, Dell Medical School, the imminent second Apple Campus and many additional tech-oriented office buildings now under construction. 28 new high-rise buildings are planned/under construction in downtown Austin as this article is being written. There appear to be numerous opportunities for job growth in central Texas. According to Metrostudy, Austin hit new records in 2019 with 18,905 new homes built, surpassing the previous high of 18,407 starts set in third quarter 2006. Austin is currently the 7th best performing market in the country for annual new home starts. Due to this demand and ever-lengthening jurisdictional approval timelines; Austin is severely undersupplied with single family lots with only 17.6 months of supply available (24 months is considered healthy). Adding more lot supply to the market is necessary to keep up with the increased demand. In order for Austin to sustain its current velocity, developers and homebuilders alike must be strategic in their product delivery and pricing. If home and lot price appreciation occur too quickly, the market will lose its most valuable asset of affordability and availability to the consumer. This will cause housing prices to increase even more and make home buying more challenging for the bulk of the Austin home buying public to attain.

Austin's population has doubled every 20 years and has been doing so since 1880!! Therefore, in the year 2040 Austin will have doubled to roughly 4.5 million people!! Pause and think about that for a moment... That represents an average of approximately 115,000 new people per year. At the industry accepted conversion rate of 2.5 people per household; that represents a need of approximately 46,000 dwelling units (single-family and multifamily) **per year** to meet the housing demand with no inventory build-up cushion at all.

Land prices are at some of the highest values in recent history. However, construction and development costs continue to rise making land deals difficult to underwrite. If, or when, interest rates increase, current pricing for land development deals will become even more difficult to successfully underwrite and transact. As a result, it is currently an opportune and prudent time to contemplate selling and intelligently positioning land assets.



Austin, Texas- The Growing Housing Demand and The Drive East

Continued

Historically, the Austin housing and population growth has focused on the western part of the market. Austin's western submarkets are marked by a demographic of higher median income, higher median home price, lesser renter occupied housing ratios and higher-ranking school districts when compared to the east Austin submarkets. Schools play a large role in geographic decisions for families looking to purchase a home. The western submarkets have always had superior school districts. However, recently the demand has shifted to the eastern submarkets in order to find more affordable homes that are closer to employment centers.

As the Austin MSA has experienced exponential growth over the past few decades, the eastern State Highway 130 corridor has become a significant destination for absorbing the continued population increase. Many of the new residents of the Pflugerville, Manor, Hutto and Del Valle submarkets are commuting to employment centers located in and around downtown Austin and the tech corridor in Round Rock. These more affordable submarkets offer easy access to the commercial nodes and employment centers in the nearby central Austin and central business district areas. As an example, the Samsung Austin Corporate Headquarter, Oracle's campus and the future Apple HQ2 are only 15-20 minutes away from the eastern area submarkets previously mentioned. This close proximity to major centers for employment and services has strengthened the Eastern Austin. In addition, these qualities have validated and solidified the submarket's position as one of the strongest, most desired primary housing markets within the Austin MSA. Further highlighting this trend is the fact that four out of the top five best performing master planned communities in the Austin MSA are located on the east side of Austin. According to Metrostudy, our top two submarkets are Pflugerville and Kyle/Buda, both of which have a considerable amount of land and performing projects in what is considered the eastern sphere of the Austin market. Recently, Amazon announced it will build a major 3.8 million square foot distribution center that is going to be located in East Austin in Pflugerville. Corporate announcements like the Amazon distribution facility further highlight market acceptance of the eastern submarkets for housing and population growth moving forward.

Over the last few years, the homebuilders have built through inventory from the previous cycle and are now in need of new supply to keep up with the strong demand. More recently, builders have elected to resist self-development on a large scale and have preferred paying a premium for finished lot takedown contracts with developers. This trend has forced the finished lot pricing in Austin to increase dramatically. Due to the number of projects coming online, in the near future, finished lot pricing will now only slightly increase and the sharp and drastic increases since the recession (in legacy projects) will most likely not be duplicated.

As home prices continue to rise in central and western Austin; affordability, transportation and traffic solutions will be major decision factors for home buyers and future developments. Over the next few years we anticipate this trend will continue and there will be an increasing number of homebuyers moving to areas outside of central and western Austin into eastern more affordable areas like Manor, Hutto, Pflugerville and Del Valle as these submarkets provide realistic solutions to these issues of affordability, transportation and traffic.

For more information on the Austin market contact Hal Guggolz & Josh Cameron at hguggolz@landadvisors.com and jcameron@landadvisors.com or call at (512) 327-3010.



HOW ARE THE TOP MPC'S FINANCING INFRASTRUCTURE?

By Pamela Giss

RCLCO Real Estate Advisor / Launch Development Finance Advisors Top Selling Master Planned Communities 2020 Year End

RCLCO Real Estate Advisors has published their year-end 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 below, 46 of the 52 communities shown in the Report utilize some type of public financing mechanism to offset their infrastructure costs. The 46 communities that are using public financing constitute 86.9% percent of the total home sales within the top selling master planned communities demonstrating the importance of special taxing districts to access non-recourse, long term, low interest financing for master planned community development.

Rank	MPC (1)	MSA (City, State) (1)	Total Units Sold FY 2019	Infrastructure Financing Information					
				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)	2,429	Y	CDD	X			
2	Lakewood Ranch	North Port-Sarasota-Bradenton (Sarasota, FL)	1,648	Y	CDD	X			
3	Summerlin	Las Vegas-Henderson-Paradise (Las Vegas, NV)	1,320	Y	SID	X			
4	West Villages	North Port-Sarasota-Bradenton (Venice, FL)	1,273	Y	ID	X			
5	Eastmark	Phoenix-Mesa-Scottsdale (Mesa, AZ)	1,011	Y	CFD	X	X		
6	Nocatee	Jacksonville (Ponte Vedra, FL)	909	Y	CDD	X			
7	Irvine Ranch	Los Angeles-Long Beach-Anaheim (Orange County, CA)	850	Y	CFD				X
8	Ontario Ranch	Riverside-San Bernardino-Ontario (Ontario, CA)	788	Y	CFD				X
9t	Cadence (3)	Las Vegas-Henderson-Paradise (Henderson, NV)	753	Y	RED			X	
9t	Daybreak	Salt Lake City (South Jordan, UT)	753	Y	SAD	X			
11	Sonterra	Austin-Round Rock (Jarrell, TX)	741	Y	MUD		X		
12	Bridgeland	Houston - The Woodlands-Sugar Land (Cypress, TX)	734	Y	MUD		X		
13	Inspirada	Las Vegas-Henderson-Paradise (Las Vegas, NV)	645	Y	SID	X			
14	Cane Bay Plantation	Charleston-North Charleston (Charleston, SC)	628	N					
15	Stapleton	Denver-Aurora-Lakewood (Denver, CO)	604	Y	METRO / TAX INCREMENT		X		
16	Verrado	Phoenix-Mesa-Scottsdale (Buckeye, AZ)	602	Y	CFD		X		
17	Great Park Neighborhoods	Los Angeles-Long Beach-Anaheim (Irvine, CA)	553	Y	CFD				X
18	Sunfield	Austin-Round Rock (Buda, TX)	551	Y	MUD		X		
19	Tartesso	Phoenix-Mesa-Scottsdale (Buckeye, AZ)	545	Y	CFD		X		
20	Skye Canyon	Las Vegas-Henderson-Paradise (Las Vegas, NV)	522	Y	SID	X			
21	Sienna	Houston - The Woodlands-Sugar Land (Missouri City, TX)	517	Y	MUD		X		
22	Viera	Palm Bay-Melbourne-Titusville (Melbourne, FL)	500	Y	CDD	X			
23	Cross Creek Ranch	Houston - The Woodlands - Sugar Land (Fulshear, TX)	484	Y	MUD		X		
24	Harmony	Houston-The Woodlands-Sugar Land (Spring, TX)	481	Y	MUD		X		
25	The Meadows	Phoenix-Mesa-Scottsdale (Phoenix, AZ)	477	N					
26	Lake Nona	Orlando-Kissimmee-Sanford (Orlando, FL)	468	Y	CDD	X			
27	Balmoral	Houston-The Woodlands-Sugar Land (Houston, TX)	467	Y	MUD		X		
28	Tradition	Port St. Lucie (St. Lucie, FL)	457	Y	CDD	X			
29	Estrella	Phoenix-Mesa-Scottsdale (Goodyear, AZ)	452	Y	CFD	X	X		
30	Starkey Ranch	Tampa-St. Petersburg-Clearwater (Land O Lakes, FL)	450	Y	CDD	X			
31	Meridian	Phoenix-Mesa-Scottsdale (Queen Creek, AZ)	448	N					
32	Rancho Mission Viejo	Los Angeles-Long Beach-Anaheim (San Juan Capistrano, CA)	445	Y	CFD				X
33	Latitude Margaritaville	Deltona-Daytona Beach-Ormond Beach (Daytona Beach, FL)	437	N					
34	Vistancia	Phoenix-Mesa-Scottsdale (Peoria, AZ)	431	Y	CFD		X		
35	Aliana	Houston-The Woodlands-Sugar Land (Fort Bend County, TX)	413	Y	MUD		X		
36	River Islands	Stockton-Lodi (Stockton, CA)	410	Y	CFD				X
37	Bartram Park	Jacksonville (Jacksonville, FL)	408	Y	CDD	X			
38	Brambleton	Washington-Arlington-Alexandria (Brambleton, VA)	405	N					
39t	Bexley	Tampa-St. Petersburg-Clearwater (Land O Lakes, FL)	401	Y	CDD	X			
39t	Flowers Plantation	Raleigh (Clayton, NC)	401	N					
39t	WoodCreek	Dallas-Fort Worth-Arlington (Fate, TX)	401	Y	MUD		X		
42t	Mountain House	San Francisco - Oakland-Hayward (Stockton, CA)	392	Y	CFD				X
42t	RainDance	Greeley (Windsor, CO)	392	Y	METRO		X		
44	Cadence at Gateway	Phoenix-Mesa-Scottsdale (Mesa, AZ)	390	Y	CFD	X	X		
45	Towne Lake	Houston-The Woodlands-Sugar Land (Cypress, TX)	389	Y	MUD		X		
46	Harvest	Dallas-Fort Worth-Arlington (Argyle, TX)	383	Y	MUD		X		
47	Escaya	San Diego-Carlsbad (Chula Vista, CA)	382	Y	CFD				X
48	Santa Rita Ranch	Austin-Round Rock (Liberty Hill TX)	372	Y	MUD		X		
49	Banning Lewis Ranch	Colorado Springs (Colorado Springs, CO)	371	Y	METRO		X		
50	The Meadows	Phoenix-Mesa-Scottsdale (Phoenix, AZ)	362	N					
51	Sundance	Riverside-San Bernardino-Ontario (Beaumont, CA)	357	Y	CFD				X
52t	Harvest Green	Houston-The Woodlands-Sugar Land (Richmond, TX)	356	Y	MUD		X		
52t	Woodforest	Houston-The Woodlands-Sugar Land (Montgomery, TX)	356	Y	MUD		X		
Total Home Sales or MPC's Utilizing Special Taxing Districts / Average			24,033	46		18	24	3	9
Percentage of Home Sales Occurring Within MPC Using Special Taxing Districts			86.9%						

Source: RCLCO Real Estate Advisors & Launch Development Finance Advisors

Footnotes:

(1) Per RCLCO's Top Selling MPC Report - 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 tax increment subsidy in an amount not to exceed \$208 million to Cadence to finance infrastructure costs.



California Level 1 School Fees Increase 7.65%

California Educational Code 17620 allows the State Allocation Board (“Board”) to increase Level 1 School Fees every two years. On January 22, 2020, the Board increased the Level 1 School Fee from \$3.79 to \$4.08 per square foot or approximately 7.65%.

[Click here](#) for the Link to the Board’s Index Adjustment on the Assessment For Development report.

For more information on the Level 1 Fee or how Launch may assist in determining the fees California builders will have to pay when pulling a building permit, contact Carter Froelich at carter@launch-dfa.com or call 1-855-970-0003 ext. 4355.

Arizona Changing CFD Law

The Arizona League of Cities and Towns is sponsoring [HB2493](#) (the “Bill”) which it’s classifying as a technical correction. The main impetus of the Bill is to address issues securing Directors and Officer’s Insurance (“D&O Insurance”) for the two landowner Community Facilities District (“CFD” and/or “District”) Board members (“Landowner Representatives”).

Since the passage of SB1480 in 2018, Arizona jurisdictions have felt that the addition of the Landowner Representatives prevents adequate D&O Insurance coverage from being obtained. As a result, the Bill proposes to make the Landowner Representatives optional as opposed to mandatory.

The Bill also proposes to:

- Allow County’s to enter into agreements with Districts.
- Place limits on the treatment of general obligation bond premiums so as to adhere to federal tax codes.
- Allow Districts which currently have Landowner Representatives to eliminate the Landowner Representatives and return to a jurisdictional board (ex officio) board structure.

Should you care to discuss the Bill, contact Carter Froelich at 480-874-4355 or email at carter@launch-dfa.com.



California SB330 – Housing Crisis Act of 2019

On October 19, 2019 California Governor Newsom signed into law SB330 which is designed to speed up housing construction in California over the next 5 years by theoretically cutting the time developers and builders require to get building permits and limiting increases in fees and prohibiting jurisdictions from reducing the amount of homes developers / builders can construct.

SB 330 is based on the premise that much of the housing California needs has already been approved in concept by local governments through existing zoning rules, housing elements, and other plans. According to a 2019 report by UCLA Lewis Center for Regional Policy Studies, California cities and counties have approved zoning for 2.8 million new housing units.

But that housing is not getting built. In fact, the number of residential building permits in the first six months of this year plummeted nearly 20% compared with the same period in 2018.

Recent studies have pointed to two major causes for the homebuilding slowdown: Cities and counties often levy burdensome fees on housing projects, and those trying to build housing, whether a single-family home or a multiunit affordable development, frequently face lengthy delays after submitting their permit application. SB 330 is designed to address these problems. Until 2025, the new law requires cities and counties to slash the time it takes to process permits for housing that meets the local government's existing rules, and it caps the number of public hearings on a housing project proposal at five. Cities and counties are also prohibited from hiking fees or changing permit requirements once the project applicant has submitted all the preliminary required information. Additionally, most cities and counties are barred from changing building design standards, reducing the number of housing units allowed (downzoning), establishing or implementing a building permit cap, or enacting moratoriums on new housing construction.

The new law also includes anti-displacement measures: It bans the demolition of affordable and rent-controlled units unless developers replace all of them, pay to rehouse tenants, and offer those renters first right of return at the same rent.

The major takeaway of SB330 is that developers are armed with another weapon to encourage local governments to approve their residential projects. Aside from SB 330, local governments will find themselves under additional pressure to plan and zone adequate acreage to accommodate housing. State law requires each local government, in its Housing Element, to plan and zone adequate land to satisfy its respective Regional Housing Needs Allocation ("RHNA") obligation. The Southern California Association of Governments ("SCAG") recently released draft RHNA numbers for all southern California local governments. These draft RHNA numbers are much higher than present RHNA numbers, meaning local governments will have to undertake many rezonings, in order to comply with state law. Also, rezoning of residential property for commercial / industrial uses will become more problematic. Additionally, master developers and home builders will be under increasing pressure to build at the maximum density called for in the general plan and zoning code. If a lower density is proposed, the developer/builder will be required to rezone other land within the jurisdiction to compensate for the proposed reduced density project.

On February 7, 2020, Land Advisors Organization hosted an educational forum related to SB330 in which John Condas, a partner with Allen Matkins, was the keynote speaker. At the forum Mr. Condas presented an analysis of SB330 and he has agreed to allow us to provide a link to his presentation.

[Click here](#) for Mr. Condas' analysis of SB330.

For more information on SB330 contact John Condas at (949) 851-5551 or email at jcondas@allenmatkins.com.



Reducing/Eliminating or Deferring Costs - San Antonio Company Offers Alternative to Expensive Sewage “Pump and Haul”

In Launch’s effort to assist our clients reduce, eliminate and/or defer large capital expenditures (RED Analysis™), we ran across a company in Texas that provides portable water/sewer solutions that can be used to launch a project while larger, permanent facilities are being constructed. Please note that our intention is not to promote any service and/or company but merely to inform our clients of options available in the marketplace.

San Antonio Texas based WaterFleet, LLC is a Mobile Micro-Utility company that operates a fleet of high-tech sewage treatment and potable water trailers. Head of commercial operations, Walter Friend, says that the company is excited about the success of its relatively new Residential Utility service. “We are very proud that two major housing developments in central Texas have trusted us to successfully partner on their projects. By processing their sewage in place – while successfully meeting the most stringent discharge standards in the state – we were able to help the developers overcome the construction delays to their permanent wastewater treatment plants, eliminate expensive and wasteful hauling of raw sewage, and deliver significant cost savings.”

Trey Marsh, Project Manager of the Ventana development in Bulverde, Texas, states, “WaterFleet’s mobile treatment units, their Reclaimers, operated under our existing TCEQ wastewater permit and even allowed expansion as volumes grew simply by adding more trailers. Best of all, we saved significantly over the cost of pump and haul, resulting in a major boost to our bottom line”.



WaterFleet Reclaimer Rig Systems providing interim wastewater processing

In addition to delays in plant start-up, other situations that may require these mobile systems include temporary by-pass of existing plants, and plant start-ups that are delayed due to insufficient volumes for the plant to start. WaterFleet is also capable of deploying larger systems that produce the same high-quality effluent. These package plants can be added in series as volumes grow and will be leased under short or long-term arrangements as an interim or permanent replacement to constructing a traditional wastewater plant.

interim or permanent replacement to constructing a traditional wastewater plant.

As decentralization of utilities become more popular with growing communities, companies like WaterFleet will step in to provide the support that allows developers to advance their projects without the uncertainty, costs, and delays related to traditional utility buildout.

For more information visit www.waterfleet.com.

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