

THE LAUNCH REPORT

1Q22 NEWSLETTER

**IN THIS ISSUE - 45 STRATEGIES AND OPPORTUNITIES TO IMPLIMENT IN
TODAY'S MASTER PLANNED COMMUNITY DEVELOPMENT MARKET**



LAUNCH

DEVELOPMENT FINANCE ADVISORS



Strategies and Opportunities to Implement in Today's Market

By Carter T. Froelich, CPA

Given the changing dynamics of the residential real estate market with increasing interest rates, strong demand and a shortage of residential lots; I'm often asked by our clients what are some of the strategies that can be implemented today to seize opportunities while at the same time avoiding the challenges that are appearing on the horizon.

What follows are some of the strategies we have developed over the past 34 years to assist our clients finance infrastructure, reduce costs and mitigate risks all with the goal of enhancing project returns.



Cash Flow Feasibility Analysis

- Utilize a cash flow model that has qualitative inputs relative to revenues, costs and timing events and has the ability to run alternative land secured special taxing district (e.g., CFD, SID, Metro, MUD, PID, CDD, etc., the "Districts") financing analysis.
- Confirm the reasonableness of: lot values for paper, P&E lots, blue top, super pads and finished lot values with knowledgeable land brokers such as [Land Advisors Organization](#).
- Scrutinize assumptions related to revenues, costs, and construction timing given current inflationary increases, labor costs and supply chain challenges.
- Verify that cash flow models are tied to trigger events in the development agreement.
- Develop a realistic cash flow analysis and identify strategies to deploy capital to enhance project value.
- To the extent possible, maximize the use of Districts to reduce debt and equity requirements and enhance project IRR, nominal dollars returned, and profitability.

Fiscal Impact

- Thoroughly review and "audit" the accuracy and reasonableness of the assumptions utilized by jurisdictional consultants in preparing fiscal impact reports related to fiscal/financial impact of your project on the jurisdiction's General Fund. In most cases, one will find that the reports do not agree to the existing levels of service being provided by the jurisdiction thereby leading to an overestimate of jurisdictional operating costs.
- Reexam the assumptions on existing mitigation agreements that require developer mitigation payments and when appropriate, renegotiate such agreements.
- Establish a value for non-financial impacts that have a positive impact on the jurisdiction and surrounding community and move the jurisdiction in the direction of their planning goals.
- If appropriate, consider modifying the land use plan to enhance a project's fiscal impact, provided the, economics of the project are relatively unchanged and the revised plan meets with the managements business plan for the project.



Strategies and Opportunities to Implement in Today's Market Continued

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Project Management

- Utilize third party project management / entitlement firms to process entitlements and include such costs in the development financing versus equity.
- Consider paying third party project managers on a milestone completion basis versus monthly draw.
- Develop a realistic cash flow analysis and identify strategies to deploy capital to enhance project value.

Entitlements

- Load up development agreements with favorable public financing reimbursement and development impact fee language to create flexibility on the part of the developer and certainty on the part of the jurisdiction.
- Determine if the costs associated with existing development agreements make economic sense in today's inflationary environment.
- Consider asking the jurisdiction to reduce, eliminate or defer, non-essential infrastructure requirements required in the development agreement.
- Determine if costs associated with the project can be shared with other projects on a similar development trajectory.
- From an economic perspective, develop alternative means of mitigating EIR impacts.

Engineering

- Take the time to explore alternative construction solutions for public facilities that result in lower construction costs.
- Work with jurisdictions to revise construction conditions to allow for the development of smaller phases and/or segments.
- Verify that you are following your state's unique construction requirements related to the funding of public improvements via District bond proceeds to ensure such facility costs remain eligible for financing by the District. Consider utilizing **Launch Public Bidding System™** to accomplish this goal.
- Craft public bidding criteria that most appropriately matches the qualifications of your preferred contractor.
- As appropriate, outsource engineering services, construction management versus utilizing internal personnel to allow such costs to be funded by a development loan and/or District bond proceeds.

District Developer Disclosure

- Utilize a firm experienced in matters of public finance and developer continuing disclosure obligations (such as Launch) to prepare timely continuing disclosure statements to avoid disclosure mistakes where the potential of litigation is high.
- File on continuing disclosures on time to insure maximum interest rate efficiency on future District bond issuances.
- In relation to potential buyer District homeowner notifications, always err on the side of conservatism and provide such materials at the earliest possible date.





Strategies and Opportunities to Implement in Today's Market Continued

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Capital Markets

- For well qualified developers and public home builders; consider the use of a Launch Bond™ to provide long term, non-recourse, construction financing to bridge the gap from the start of development until District bond proceeds are available.
- Work with third party capital providers such as [Land Advisors Capital](#) and/or [LakeBridge](#) to thoroughly explore available debt and equity providers and their specific terms and conditions.
- Increase the use of District financing to reduce the reliance on more costly debt and equity.
- Consider recapitalizing and de-risking wholly owned development projects with joint venture partners to free up additional capital.

School Districts

- Sell school sites in advance to accelerate cash flow.
- Always review School Facilities Needs Analysis for reasonableness in terms of student generation factors and school construction costs.
- Evaluate all school district funding sources and their respective availability when a project is being conditioned for school construction.
- If possible, renegotiate costly school agreements.





Strategies and Opportunities to Implement in Today's Market Continued

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District Financing

- Utilize Districts to reduce equity and conventional debt levels to lower overall financing carrying costs.
- Use Districts to fairly allocate public improvement costs among multiple benefiting landowners.
- Implement District financing to strengthen a company's balance sheet by providing off-balance sheet financing.
- Employ District financing to leverage the property's land value to avoid company and/or personal guarantees.
- Utilize Districts to increase a project's nominal dollar and/or internal rates of return as well as project profitability.

Infrastructure Costs Reimbursement and Credits

- Given the demand for qualified development personnel, companies face huge challenges that the institutional knowledge of the transactions will be lost. As such, make sure that you have implemented strong internal controls to track and process District financing costs as well as development impact fees, reimbursement agreements and cost sharing agreements.
- Maintain institutional memory and reduce staff time by having Launch personnel track all land secured financing reimbursements, supporting documentation and process all reimbursement request utilizing the [Launch Reimbursement System™](#)
- Review project files to determine that all performance bonds related to completed projects have been exonerated.
- In larger projects benefitting multiple landowners; equitably distribute public improvement costs to active projects and develop a cohesive financing plan that avoids anyone developer from carrying or subsidizing others.
- Consider having Launch perform a **Lookback Diagnostic Review™** to ensure that the company has recorded and is receiving all reimbursements it is owed.
- Sell future reimbursement proceeds for current cash.

For more information on how Launch may assist you in the implementation of the strategies outlined herein, contact Carter T. Froelich, CPA at carter@launch-dfa.com or call 1-855-970-0003 ext. 4355

DR Horton to Acquire Vidler Water Resources

By Carter T. Froelich, CPA

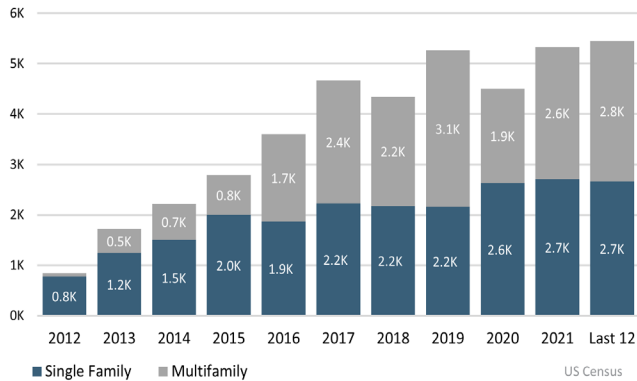
DR Horton the nation's largest home builder is taking steps to secure water for communities located in the southwest through its pending \$291 million acquisition of [Vidler Water Resources](#) ("Vidler"). Vidler has water rights and water related assets in Arizona, California, Idaho, Nevada, Colorado and New Mexico.

As drought conditions persist in the western states, securing water to allow developers and home builders to deliver lots and homes is paramount and DHR is being pro-active in its long term planning efforts. *This begs the question, what are other developers and home builders doing to secure their water future?*

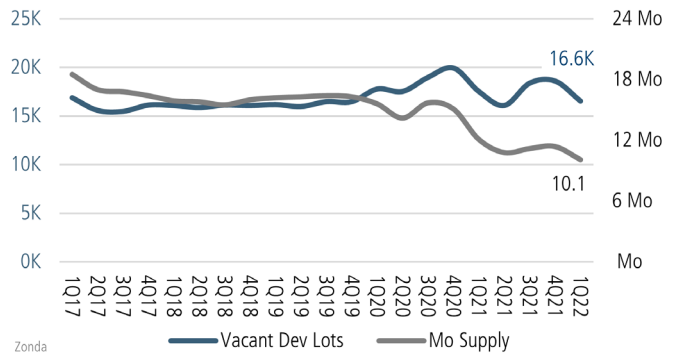


MARKETS AT A GLANCE - UTAH, BOISE, LAS VEGAS (1Q22)

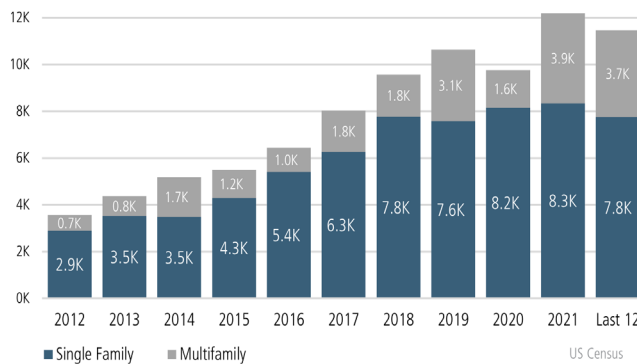
Utah Single Family & Multi-Family Permits



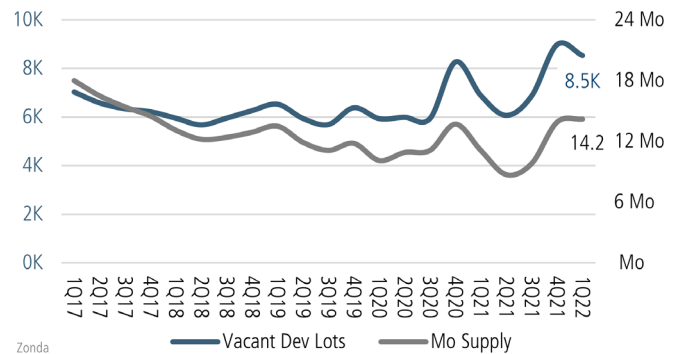
Utah Vacant Development Lot Supply



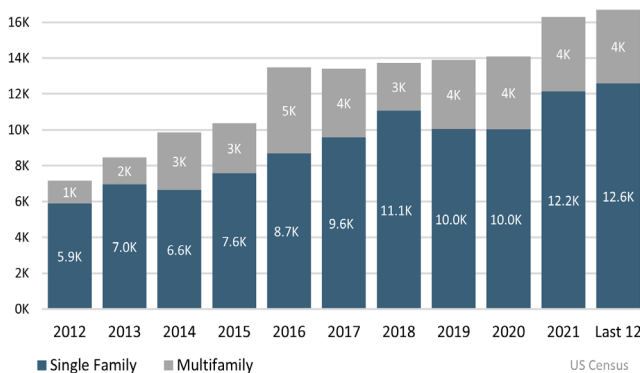
Boise Single Family & Multi-Family Permits



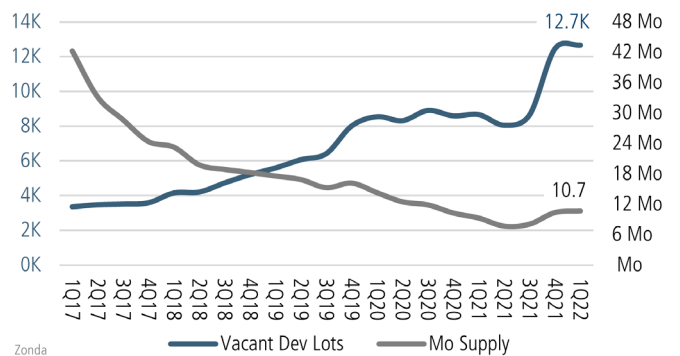
Boise Vacant Development Lot Supply



Las Vegas Single Family & Multi-Family Permits



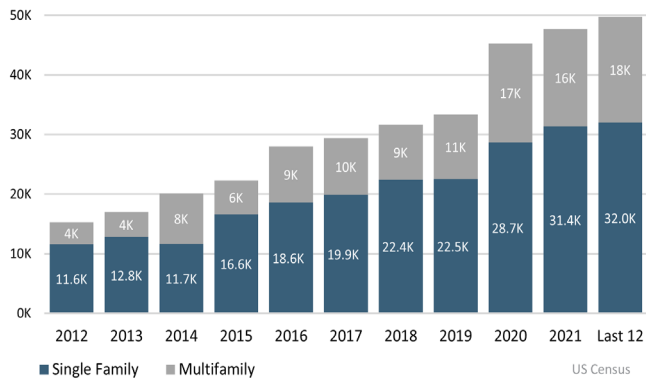
Las Vegas Vacant Development Lot Supply



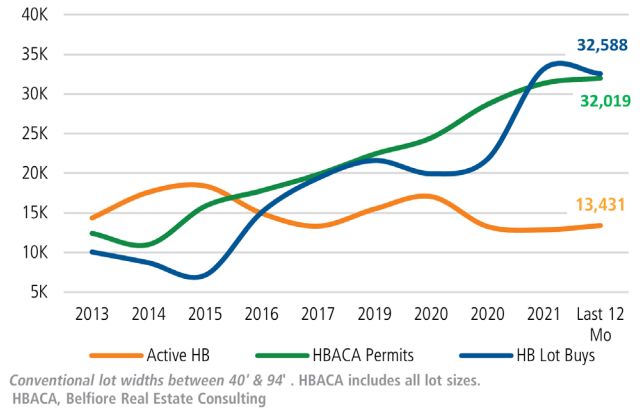


MARKETS AT A GLANCE - PHOENIX, RENO, TUCSON (1Q22)

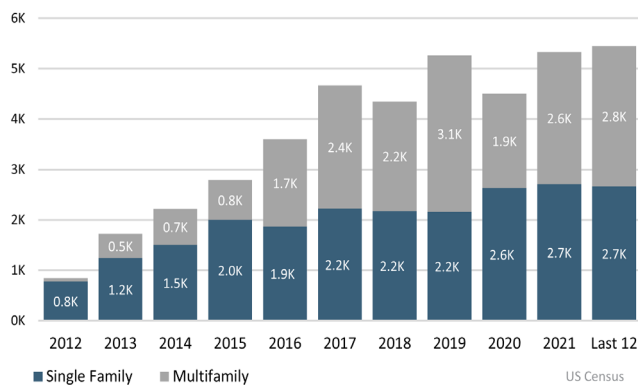
Phoenix Single Family & Multi-Family Permits



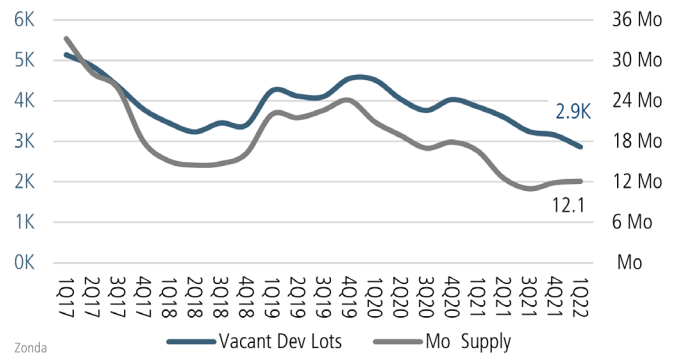
Phoenix Finished Lot Inventory vs. Permits



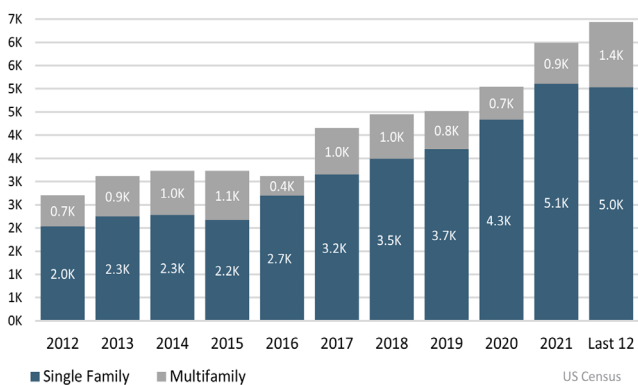
Reno Single Family & Multi-Family Permits



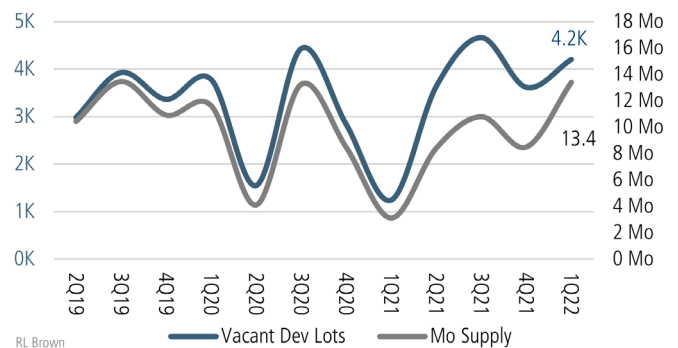
Reno New Vacant Developed Lot Supply



Tucson Single Family & Multi-Family Permits



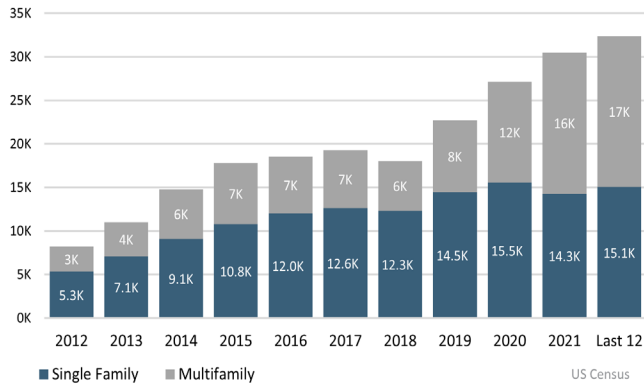
Tucson Vacant Development Lot Supply



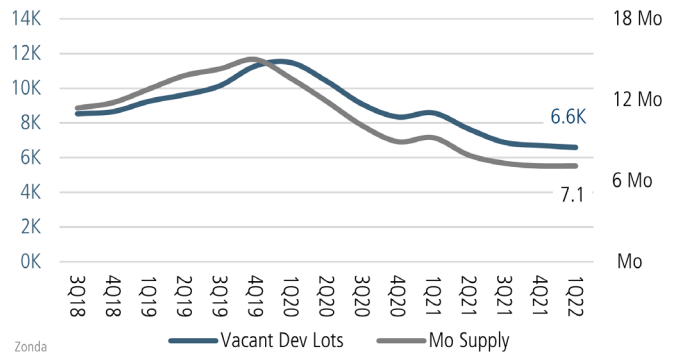


MARKETS AT A GLANCE - NASHVILLE, ATLANTA, ALBUQUERQUE (1Q22)

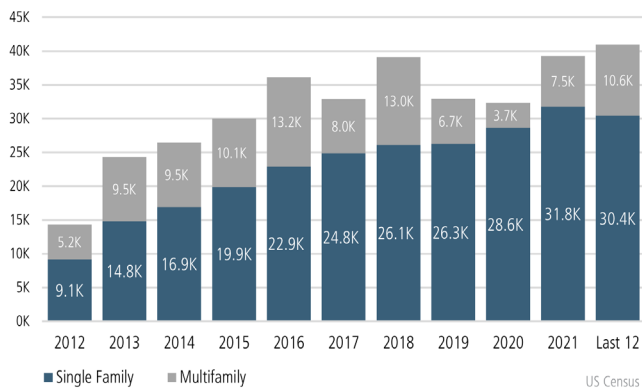
Nashville Single Family & Multi-Family Permits



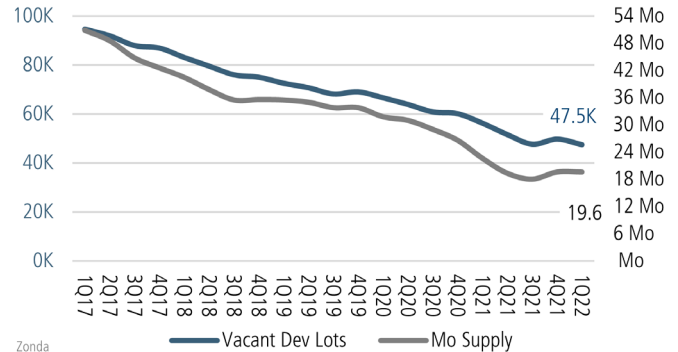
Nashville Vacant Development Lot Supply



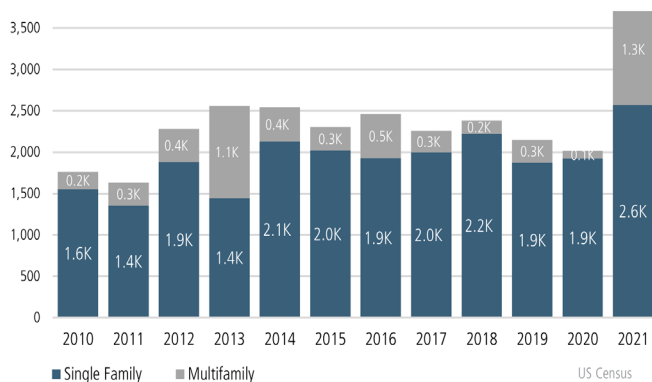
Atlanta Single Family & Multi-Family Permits



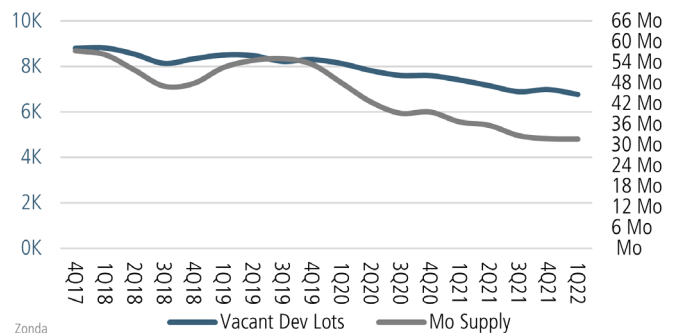
Atlanta Vacant Development Lot Supply



Albuquerque Single Family & Multi-Family Permits



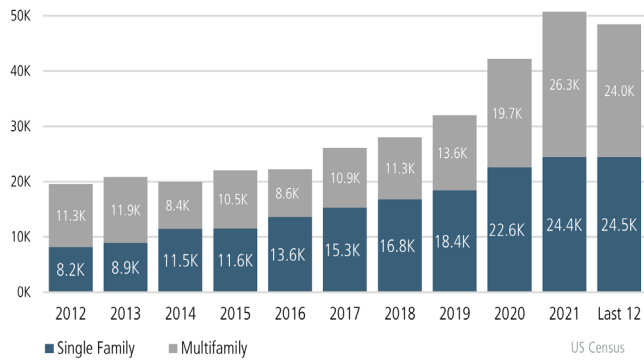
Albuquerque Vacant Development Lot Supply



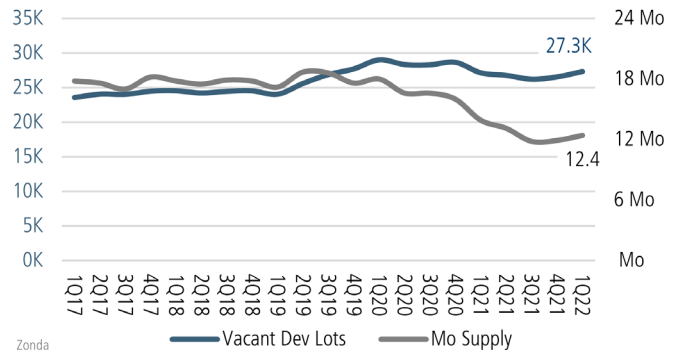


MARKETS AT A GLANCE - AUSTIN, HOUSTON, DALLAS (1Q22)

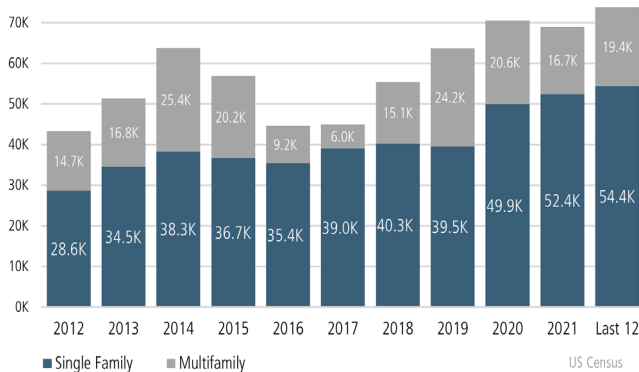
Austin Single Family & Multi-Family Permits



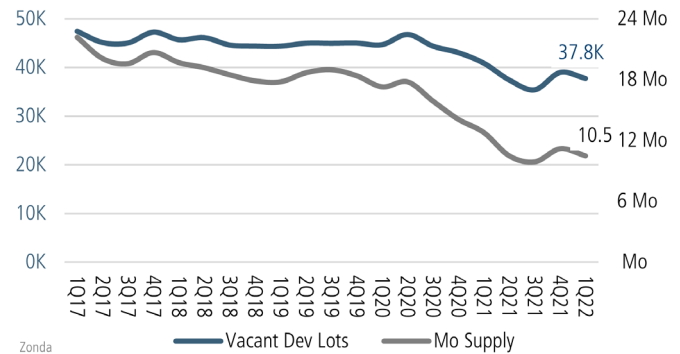
Austin Vacant Developed Lot Supply



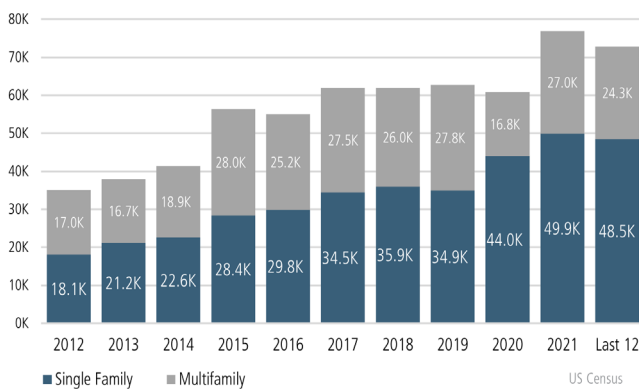
Houston Single Family & Multi-Family Permits



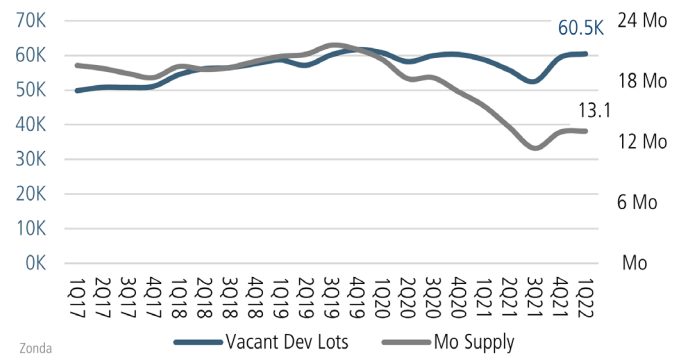
Houston Vacant Developed Lot Supply



Dallas Single Family & Multi-Family Permits



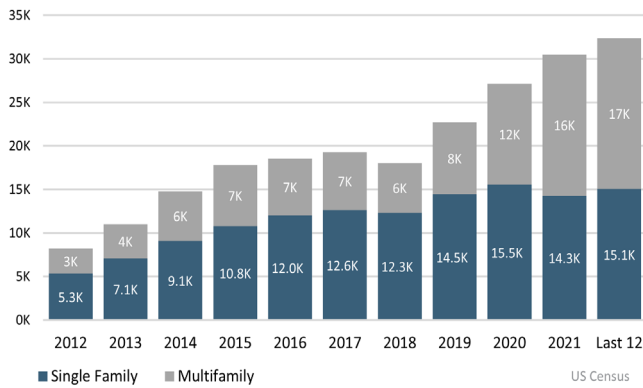
Dallas Vacant Developed Lot Supply



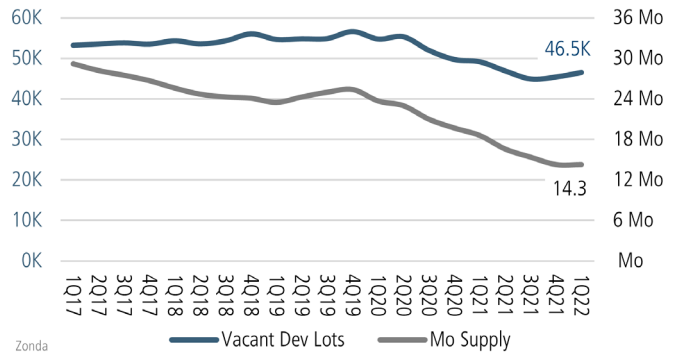


MARKETS AT A GLANCE - ORLANDO, TAMPA, CHARLOTTE (1Q22)

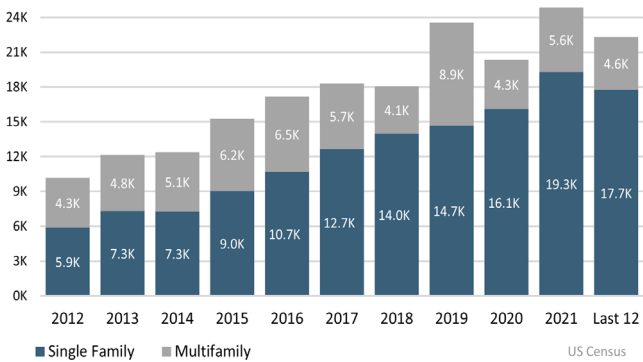
Orlando Single Family & Multi-Family Permits



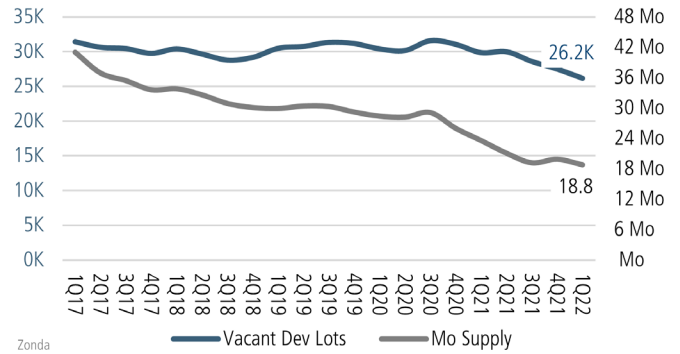
Orlando Vacant Developed Lot Supply



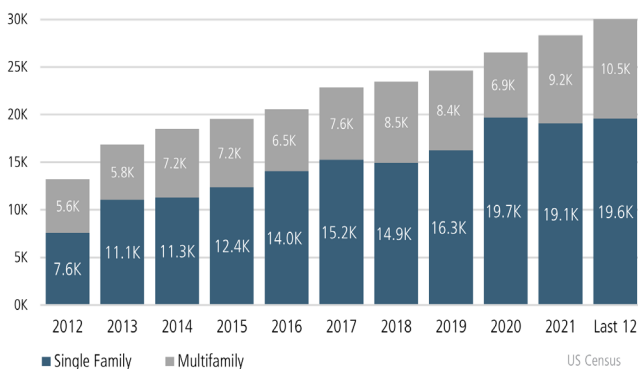
Tampa Single Family & Multi-Family Permits



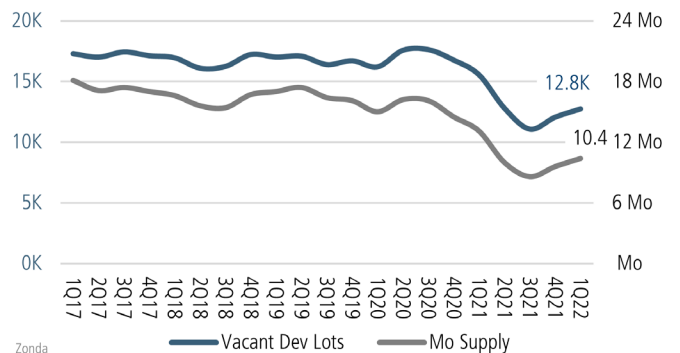
Tampa Vacant Developed Lot Supply



Charlotte Single Family & Multi-Family Permits



Charlotte Vacant Developed Lot Supply



LAUNCH REIMBURSEMENT SYSTEM™



Accelerate the Receipt of District Bond Proceeds

Track eligible reimbursable public infrastructure costs for all of your company's development projects utilizing special taxing districts. With the Launch Reimbursement System™ ("LRS") you can effortlessly determine total reimbursable costs, costs processed into the LRS to date, reimbursement binders submitted to district representatives as well as project costs reimbursed to date.



www.launch-dfa.com



The Launch Reimbursement System™ ("LRS") was developed to: create systems to ensure that companies don't lose track of reimburseable costs; provide management with timely reports related to special taxing district reimbursements; and allow company staff to focus on more productive uses of their time.

Summary of Eligible Construction Projects

- View total reimbursable costs.
- Track project costs processed into the LRS.
- View reimbursement binders submitted to jurisdictional agencies.
- Monitor total project costs reimbursed to date.

Special District No. 64 Reporting Dashboard

Description	Amount
Acquisition Fund Beginning Balance	\$ 30,580,867
Reimbursements Received	\$ 8,370,968
Remaining Balance	\$ 22,209,900
<u>Pending:</u>	
Submitted to City	\$ 2,524,128
Binders In-Process	\$ 11,369,425
Total Pending	\$ 13,893,553
Balance after Pending	\$ 8,316,346

Reimbursement Packages	
Completed / Reimbursed	2
Submitted to City	1
Binders In-Process	5
Total	8

Project #	Project	Eligible Amount	Reimbursed	Submitted to City	Binders In-Process	Reimbursed (Savings / Overrun)
1	Grand Teton Wet Utilities (Including Aviary Outfall)	\$ 7,984,059	\$ 6,865,540	\$ -	\$ -	\$ 1,118,519
2	Grand Teton Denton Basin (within Parcel 2.1)	\$ 1,911,990	\$ -	\$ -	\$ 141,571.33	\$ -
3	Grand Teton Drive (Decatur Boulevard to Aliante Parkway)	\$ 6,042,675	\$ -	\$ -	\$ 3,995,951.81	\$ -
4	Elkhorn Road (Club Aliante to Decatur)	\$ 6,687,595	\$ -	\$ -	\$ 4,194,484.18	\$ -
5	Decatur Boulevard (Elkhorn Road to Farm Road)	\$ 3,701,356	\$ -	\$ 2,524,128.48	\$ -	\$ -
6	Farm Road (Decatur Boulevard to Aviary Way)	\$ 4,790,613	\$ 1,505,428	\$ -	\$ -	\$ 3,285,185
7	Aviary Way (Elkhorn Road to Farm Road)	\$ 5,411,038	\$ -	\$ -	\$ 1,896,798.47	\$ -
8	Aviary Way (Farm Road to Grand Teton Drive)	\$ 4,848,458	\$ -	\$ -	\$ 1,140,618.79	\$ -
	Total	\$ 41,377,782	\$ 8,370,968	\$ 2,524,128	\$ 11,369,425	\$ 4,403,704

Detailed Invoice/Draw Information

The LRS tracks detailed information for each contractor including supporting documents.

- The LRS houses supporting documents including invoices, draw requests, lien waivers, cancelled checks, bank statements and certified payrolls in a secure data archive.
- Tracks detailed invoice and draw information on a contract-by-contract basis.

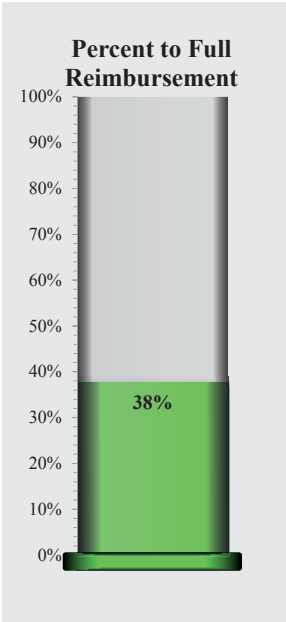
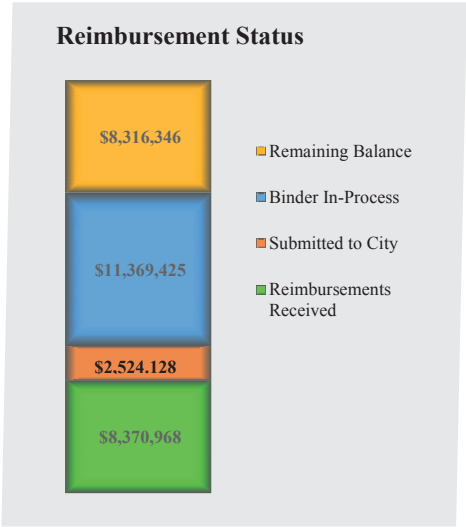
Special District No. 64 Reimbursement Request Detail

Contractor	Component	Contract Number	Invoice Number	Invoice Date	Invoice Amount	Check Number	Check Amount	Reimbursement Requested	Contractor Subtotal
Affordable Striping & Sealing	Hard Costs	63158-6012	25088	5/4/2020	\$ 2,277.15	948202	\$ 11,297.64	\$ 2,277.15	
Affordable Striping & Sealing	Hard Costs	63158-6012	25089	5/4/2020	\$ 4,021.71	995230	\$ 4,021.69	\$ 4,021.71	
Affordable Striping & Sealing	Hard Costs	63158-6012	25578	8/3/2020	\$ 74,135.27	1002554	\$ 74,275.14	\$ 74,135.27	\$ 80,434.13
Civil Werx	Hard Costs	63158-5003	18041-04	4/26/2019	\$ 633,156.96	784069	\$ 239,277.96	\$ 147,736.86	
Civil Werx	Hard Costs	63158-5003	18041-04	4/26/2019	\$ 633,156.96	784070	\$ 43,231.59	\$ 38,240.00	
Civil Werx	Hard Costs	63158-5003	18041-04	4/26/2019	\$ 633,156.96	784071	\$ 492,597.87	\$ 447,180.10	
Civil Werx	Hard Costs	63158-5003	18041-05	5/31/2019	\$ 57,143.18	802404	\$ 57,143.18	\$ 57,143.18	
Civil Werx	Hard Costs	63158-5003	18041-05	5/31/2019	\$ 110,077.62	802405	\$ 524,813.60	\$ 108,757.62	
Civil Werx	Hard Costs	63158-5003	18041-07	3/31/2020	\$ 120,284.35	942261	\$ 90,296.00	\$ 90,296.89	
Civil Werx	Hard Costs	63158-5003	18041-08	4/30/2020	\$ 112,416.92	953597	\$ 99,301.12	\$ 99,301.12	
Civil Werx	Hard Costs	63158-5003	18041-09	5/22/2020	\$ 209,034.55	964310	\$ 99,301.12	\$ 99,301.12	
Civil Werx	Hard Costs	63158-5003	18041-09	5/22/2020	\$ 209,034.55	964312	\$ 109,207.93	\$ 109,207.93	
Civil Werx	Hard Costs	63158-5003	18041-10	6/30/2020	\$ 31,062.62	991991	\$ 185,610.64	\$ 14,661.45	
Civil Werx	Hard Costs	63158-5003	18041-10	6/30/2020	\$ 31,062.62	991993	\$ 30,903.69	\$ 16,401.17	
Civil Werx	Hard Costs	63158-5003	18041-11	8/14/2020	\$ 44,064.68	1005824	\$ 80,745.54	\$ 44,064.68	
Civil Werx	Hard Costs	63158-5003	18041-12	9/25/2020	\$ 26,386.24	1027717	\$ 168,620.37	\$ 26,386.24	
Civil Werx	Hard Costs	63158-9503	2374	8/5/2019	\$ 179,923.65	830445	\$ 179,923.65	\$ 179,923.65	\$ 1,478,602.01

Track Reimbursements Related to Special Taxing Districts

View construction costs by date, draw requests, reimbursements and related supporting documents.

- View the status of all reimbursements in one secure location.
- Track status of all reimbursements.



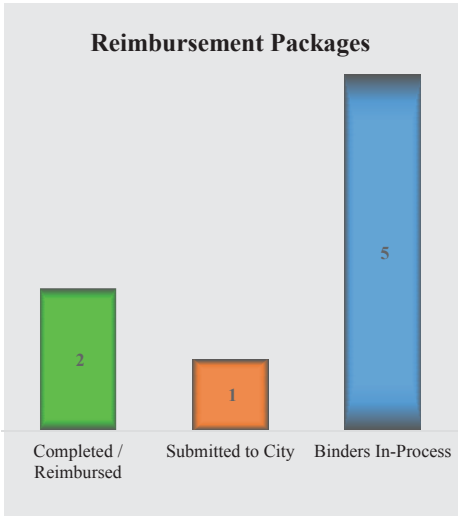
Monitor Special Taxing District Bonds and Reimbursements

Track all reimbursement proceeds with ease.

- Monitor remaining bond proceeds available for reimbursement without having to rely on the trustee.
- Launch professionals create and transmit electronic reimbursement binders to jurisdictional agencies, accelerating reimbursement processing and saving company personnel hundreds of hours of detailed work.

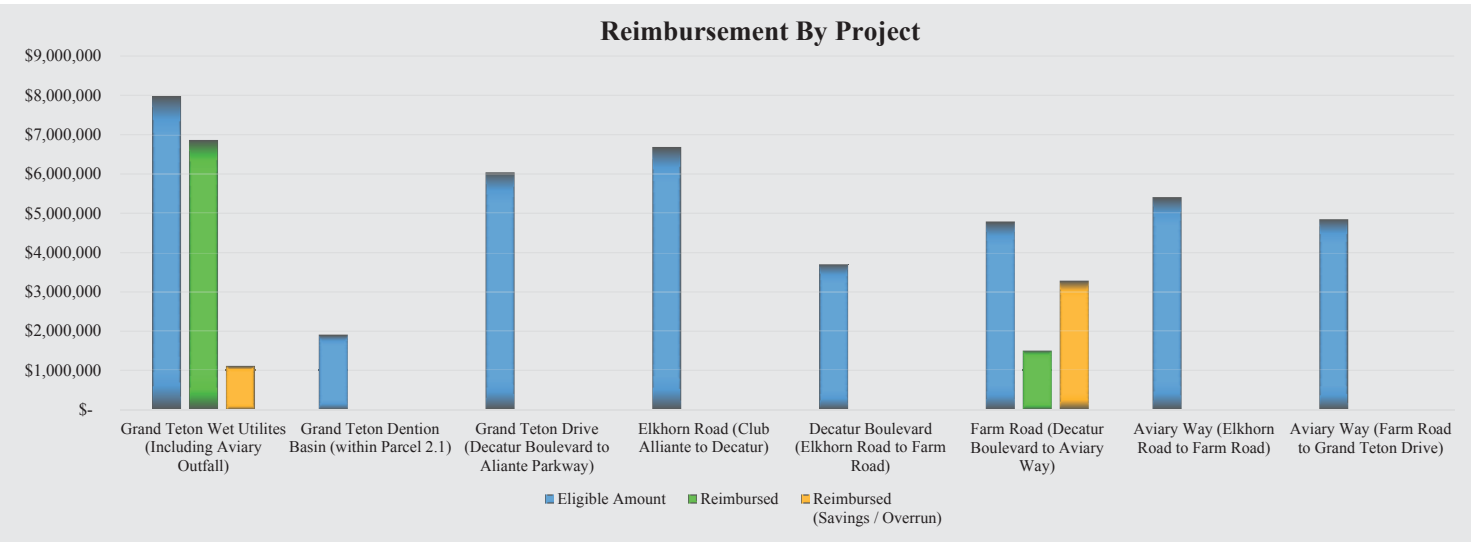
Track Cost Sharing Agreements

- Maintain a history of all draw requests and reimbursements.
- Receive timely management reports on a regular basis.



Monitor Development Impact Fee Credits

- Monitor all eligible construction costs available for development impact fee credits and/or prepaid development impact fees.
- Maintain lot specific record of development impact fee credits.
- Custom management reports track the progress of reimbursements.



Launch Reimbursement System™

The Launch Reimbursement System™ ("LRS") allows the tracking of all of your company's special district reimbursable construction costs. The LRS may be utilized with the following special taxing districts:

- Community Development Districts
- Community Facilities Districts
- Community Infrastructure Districts
- Fresh Water Supply Districts
- Improvement Districts
- Local Improvement Districts
- Metropolitan Districts
- Municipal Management Districts
- Municipal Utility Districts
- Public Improvement Districts
- Revitalization Districts
- Special Assessment Districts
- Special Improvement Districts
- Special Service Districts
- Tax Increment Areas
- Tax Increment Districts
- Tax Increment Reinvestment Zones

With the LRS, you can determine construction costs expended to date, those costs which are reimbursable from the special taxing district, bonds issued to date and remaining bond proceeds.

Launch Development Finance Advisors Reimbursement Services

- Launch professionals track all of your company's development project reimbursable costs in a timely manner.
- As directed, Launch professionals provide company management with weekly, monthly or quarterly reports related to reimbursement activity.
- Launch professionals access client data electronically increasing efficiencies.
- Launch professionals prepare and submit Reimbursement Requests electronically to district representatives.
- All Launch Reimbursement professionals are fully trained in all aspects of district reimbursement processing and they focused exclusively on reimbursement processing.

Special District No. 64 Reimbursement Request Summary

Contractor	Reimbursement Requested
Affordable Striping & Sealing	\$ 80,434.13
Civil Werx	\$ 1,478,602.01
Stonescapes	\$ 276,305.73
Western States Contracting	\$ 589,516.61
Eros Environmental	\$ 2,490.00
GeoTek Residential	\$ 12,591.00
Sunstate Companies	\$ 12,447.50
Triton Engineering	\$ 500.00
Wallace Morris Kline Surveying	\$ 28,051.00
Westwood	\$ 43,190.50
Total Reimbursement Amount Requested	\$ 2,524,128.48

Summary of Development Costs

View all current development projects and track reimbursable construction costs in real time.

- Track all development project reimbursable costs in one location.
- Archive supporting documents and data electronically.

Summary of Projects and Contracts

View all construction projects and corresponding construction costs.

- Track relevant project and contract data.
- Identify contracts and projects for reimbursement.
- Management reports can be customized for client needs.

Cost Sharing Agreements & Development Impact Fees

Track construction costs, draw requests and reimbursements.

- Maintain records of all draw requests including back up documentation.
- Maintain records of all development impact fee credits acquired and reimbursed.
- View the status of all reimbursements in one secure location.
- Archive all development & reimbursement agreements related to the development project.

Monitor Special Taxing District Bonds & Acquisitions

Track all special taxing district reimbursements outstanding with ease.

- Identify approved public improvements and costs reimbursed to date.
- Monitor remaining bond proceeds available for reimbursement without having the call the Trustee.



www.launch-dfa.com