

ELECTRIC CITIES OF GEORGIA STRATEGIC PARTNERS ALLIANCE

HOW TO EVALUATE PROPERTY FOR DEVELOPMENT

MARCH 30, 2010



Presented by Jerry Silvio

Background

- 35 years in Industrial Development and Construction
- Community development:
 - ▣ Oakwood
 - ▣ Covington
 - ▣ Jefferson
- Consulting to communities, land owners, developers and industry
- Investment, construction, feasibility studies, pro formas, and project management



Evaluating Property.....

□ Can you trust this guy???



Evaluating Property.....

- Too many hills, too much topography



Evaluating Property.....

- ❑ Swamps are not desirable “water features”



Evaluating Property.....

- Nice flat site but where does the storm water go?



Evaluating Property.....

- Now go find site ideal site!



The Egg

- Industrial Development is the Goose that lays the Golden Egg!
 - ▣ Increases tax basis
 - ▣ Creates jobs
 - ▣ Leads to retail and residential development
 - ▣ Low demand on community services

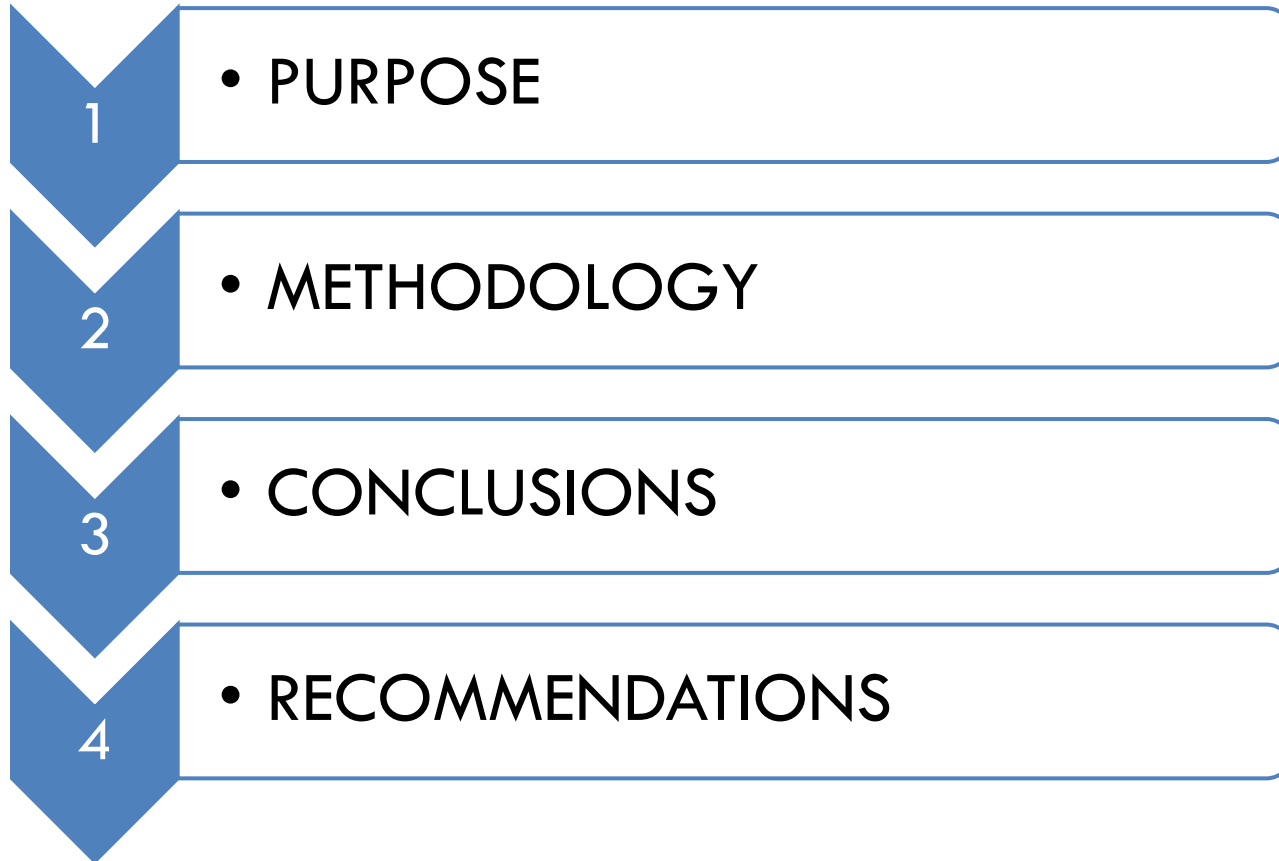


Key Questions Answered

- ❑ Does it make sense to develop an industrial park?
- ❑ If so, what is the process of searching for the ideal site(s)?
- ❑ Once sites are identified, what are the basic evaluation steps necessary to improve the likelihood of success?



Evaluation of Property for Development



Evaluation of Property for Development

PURPOSE

- To review, evaluate, and rank alternative sites under consideration for municipal and/or private development
- Strive to benefit community from two perspectives
 - ▣ Economics: cost vs. revenue, jobs, capital investment, (indirect benefits from the end user imported dollars)
 - ▣ Market Demand: attractiveness to the end users
- **GOAL: JOBS and CAPITAL INVESTMENT**



Evaluation of Property for Development

METHODOLOGY

1. Overview

2. Existing/Planned Infrastructure
3. Engineering Data
4. Regional Supply
5. Market Demand
6. Local Demand
7. Site Selection Factors
8. Scoring Matrix
9. Conceptual Designs
10. Infrastructure Costs
11. Cost per Usable Acre
12. Top Site Pro Forma, IRR

□ Project overview

- ▣ Establish goal and mission of project
- ▣ Define scope of project and development
- ▣ Highlight community strengths
- ▣ Conduct site visits
- ▣ Create list of potential partner involvement
 - City/County officials
 - Chamber of Commerce
 - Utility Departments
 - Legal Council
 - Private Partners

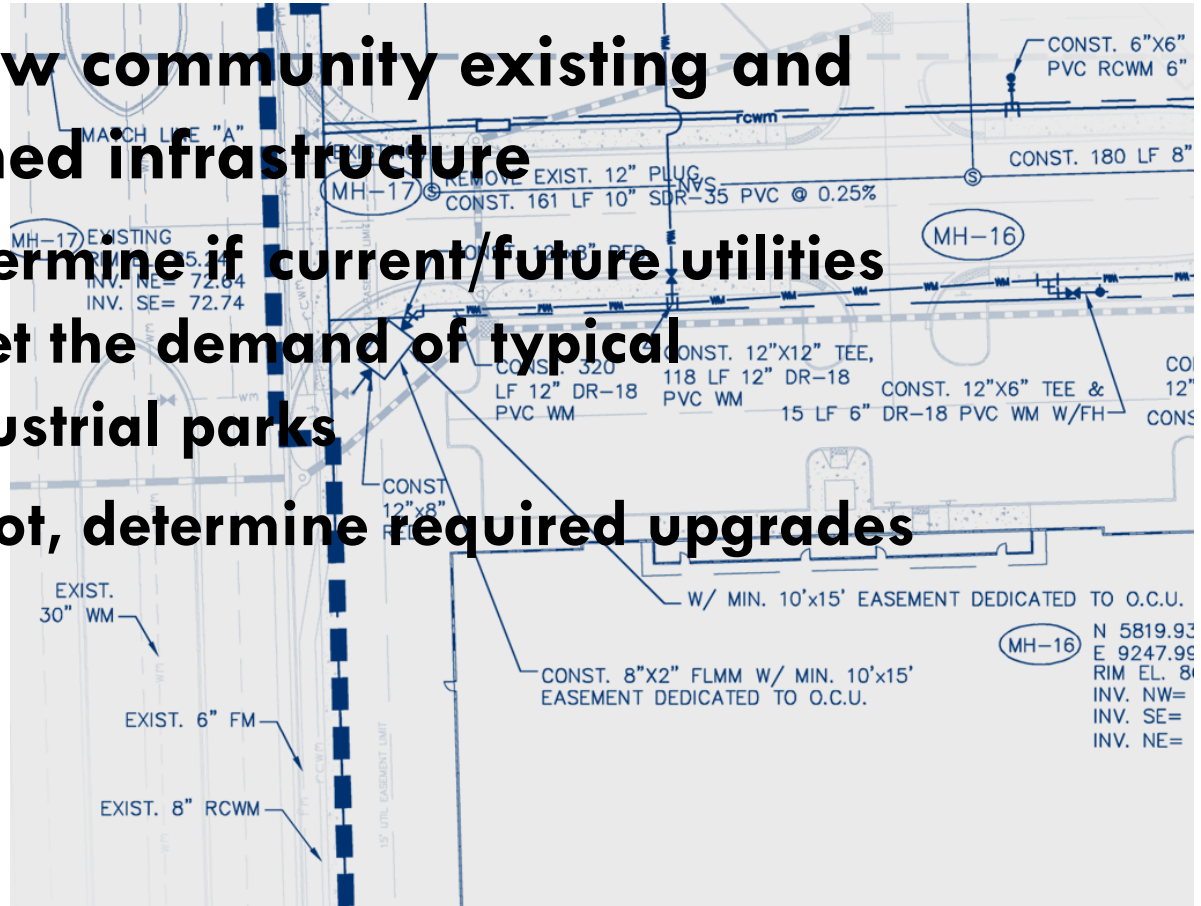


Evaluation of Property for Development

METHODOLOGY

1. Overview
2. Existing/Planned Infrastructure
3. Engineering Data
4. Regional Supply
5. Market Demand
6. Local Demand
7. Site Selection Factors
8. Scoring Matrix
9. Conceptual Designs
10. Infrastructure Costs
11. Cost per Usable Acre
12. Top Site Pro Forma, IRR

- Review community existing and planned infrastructure
 - ▣ Determine if current/future utilities meet the demand of typical industrial parks
 - ▣ If not, determine required upgrades



Evaluation of Property for Development

METHODOLOGY

1. Overview
2. Existing/Planned Infrastructure
3. **Engineering Data**
4. Regional Supply
5. Market Demand
6. Local Demand
7. Site Selection Factors
8. Scoring Matrix
9. Conceptual Designs
10. Infrastructure Costs
11. Cost per Usable Acre
12. Top Site Pro Forma, IRR

□ **Review existing design/engineering reports and data that may exist on possible sites. Examples include:**

- **Boundary and topographic surveys**
- **Geotechnical reports**
- **Environmental reports**
- **Wetland and protected waters survey**
- **Zoning information and/or restrictions**



Evaluation of Property for Development

METHODOLOGY

1. Overview
2. Existing/Planned Infrastructure
3. Engineering Data
4. **Regional Supply**
5. Market Demand
6. Local Demand
7. Site Selection Factors
8. Scoring Matrix
9. Conceptual Designs
10. Infrastructure Costs
11. Cost per Usable Acre
12. Top Site Pro Forma, IRR

□ Review existing inventory of Regional **Supply**

▣ Land

- Size range
- Quality
- Price

▣ Buildings

- Size range
- Quality
- Price



Evaluation of Property for Development

METHODOLOGY

1. Overview
2. Existing/Planned Infrastructure
3. Engineering Data
4. Regional Supply
5. **Market Demand**
6. Local Demand
7. Site Selection Factors
8. Scoring Matrix
9. Conceptual Designs
10. Infrastructure Costs
11. Cost per Usable Acre
12. Top Site Pro Forma, IRR

□ Review and summarize recent **Demand** for product

- State and Utility Economic Agencies
- Supply and demand for land and buildings

Statewide Demand:				
August, 2009				
Number of Projects	SF Low	SF High	Average	% Total SF
19	0	25,000	11,025	3.6
9	25,000	50,000	40,550	6.2
8	50,000	100,000	86,875	11.9
6	100,000	200,000	162,000	16.6
4	200,000	500,000	375,000	25.7
<u>2</u>	<u>500,000</u>	<u>1,500,000</u>	<u>1,050,000</u>	<u>36.0</u>
			5,841,425	



Evaluation of Property for Development

METHODOLOGY

1. Overview
2. Existing/Planned Infrastructure
3. Engineering Data
4. Regional Supply
5. Market Demand
6. **Local Demand**
7. Site Selection Factors
8. Scoring Matrix
9. Conceptual Designs
10. Infrastructure Costs
11. Cost per Usable Acre
12. Top Site Pro Forma, IRR

□ Quantify recent and current local **Demand** for product

- ▣ Size range
- ▣ Type of Operation (manufacturing, distribution, etc.)
- ▣ Characteristics



Evaluation of Property for Development

METHODOLOGY

1. Overview
2. Existing/Planned Infrastructure
3. Engineering Data
4. Regional Supply
5. Market Demand
6. Local Demand
7. **Site Selection Factors**
8. Scoring Matrix
9. Conceptual Designs
10. Infrastructure Costs
11. Cost per Usable Acre
12. Top Site Pro Forma, IRR

- Review Generic Site Selection Factors and quantify for this region

Top 25 Site Selection Factors

Source: Area Development Magazine, 2007

- | | |
|--|--|
| 1. Highway accessibility | 14. Available Buildings |
| 2. Labor cost | 15. Right-to-work State |
| 3. Energy availability & Cost | 16. Proximity to suppliers |
| 4. Availability of skilled labor | 17. Expedited or “fast tract” permitting |
| 5. Occupancy or construction costs | 18. Availability of unskilled labor |
| 6. Available land | 19. Availability of long term financing |
| 7. Corporate tax rate | 20. Raw material availability |
| 8. State and local incentives | 21. Training programs |
| 9. Environmental regulations | 22. Accessibility to major airports |
| 10. Tax exemptions | 23. Railroad service |
| 11. Proximity to major markets | 24. Proximity to technical university |
| 12. Availability of advanced IT services | 25. Waterway or ocean port accessibility |
| 13. Low union profile | |



Evaluation of Property for Development

Evaluation of Property for Development

METHODOLOGY

1. Overview
2. Existing/Planned Infrastructure
3. Engineering Data
4. Regional Supply
5. Market Demand
6. Local Demand
7. Site Selection Factors
8. **Scoring Matrix**
9. Conceptual Designs
10. Infrastructure Costs
11. Cost per Usable Acre
12. Top Site Pro Forma, IRR

- Create a region specific scoring matrix and apply each of the sites under consideration.
 - ▣ After physical factors move on to **Economic Factors**

Economic Factors		Cooper Farm	Gatlin Timber Site	Bass Rd Site
Gross Acres, undeveloped		289	132	268
Tax Assess\$/AC, Gross		\$2,900	\$7,050	\$6,700
Mkt Value\$/AC, Gross		\$25,000	\$35,000	\$25,000
Unusable Acres		50	17	45
Net Acres, undeveloped		239	115	223
Tax Assess\$/AC, Net		3,507	8,092	8,052
Mkt Value\$/AC, Net		30,230	40,174	30,045
Recomm Add Land (A)		-	-	-
Recomm Delete Land (D)		32	-	-
Gross Ac Recom Purch		257	132	268
Mkt Val \$/Ac Net (A/D)		25,000	35,000	25,000
Total Net Acres		207	115	223
Total Mkt Val \$/Ac, Net		31,030	40,174	30,045
Subtotal (score 4-1)		4	2	4

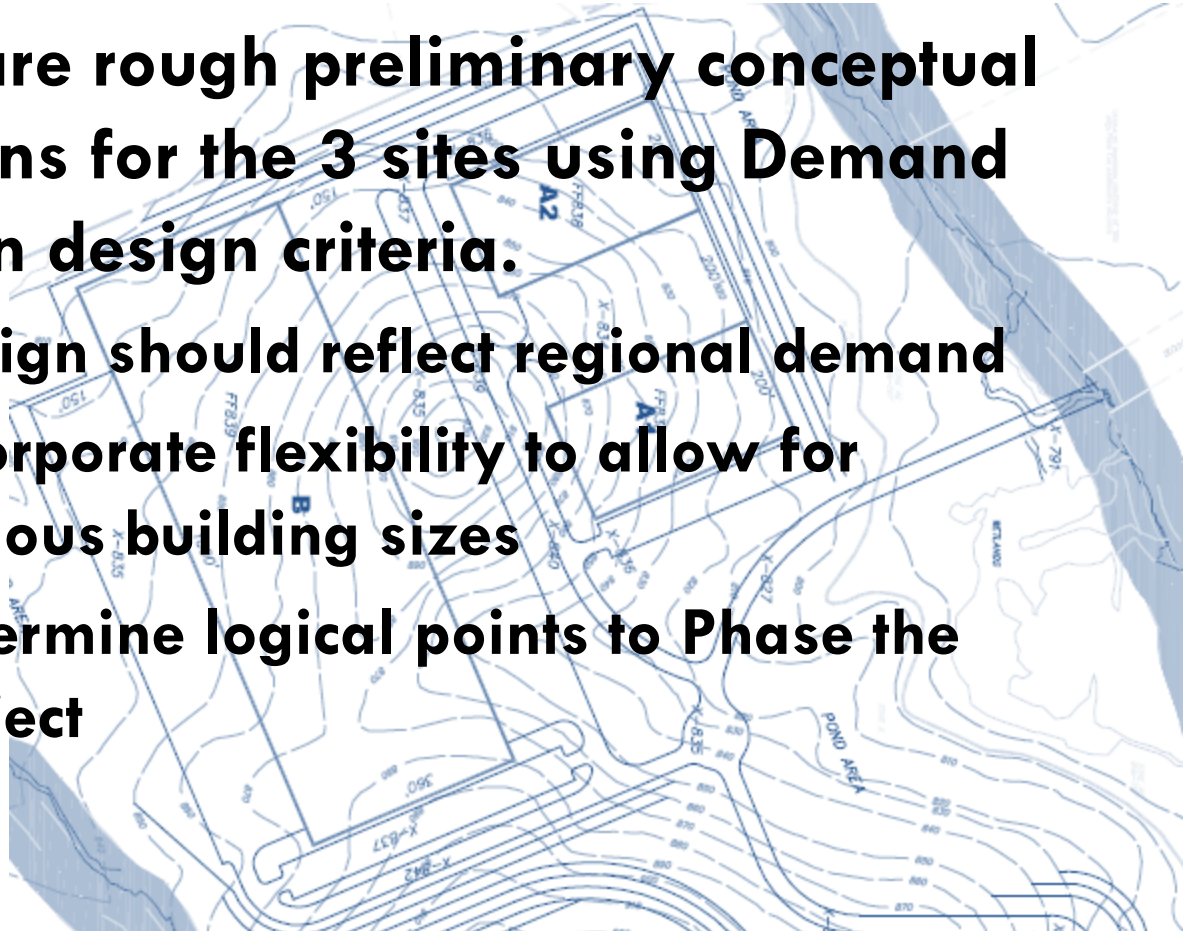


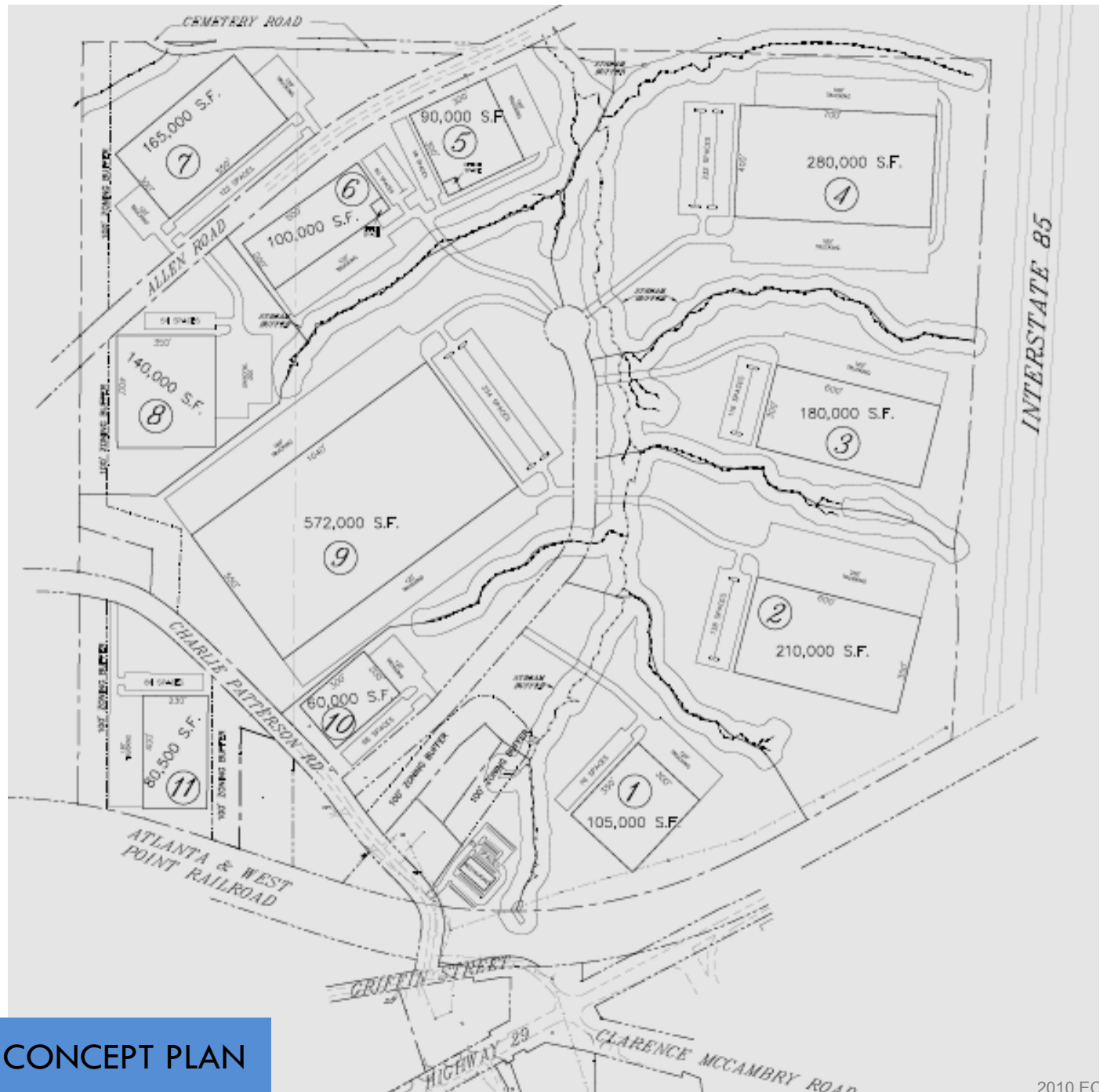
Evaluation of Property for Development

METHODOLOGY

1. Overview
2. Existing/Planned Infrastructure
3. Engineering Data
4. Regional Supply
5. Market Demand
6. Local Demand
7. Site Selection Factors
8. Scoring Matrix
9. **Conceptual Designs**
10. Infrastructure Costs
11. Cost per Usable Acre
12. Top Site Pro Forma, IRR

- ❑ **Prepare rough preliminary conceptual designs for the 3 sites using Demand driven design criteria.**
 - ❑ **Design should reflect regional demand**
 - ❑ **Incorporate flexibility to allow for various building sizes**
 - ❑ **Determine logical points to Phase the project**





SAMPLE CONCEPT PLAN

Evaluation of Property for Development

METHODOLOGY

1. Overview
2. Existing/Planned Infrastructure
3. Engineering Data
4. Regional Supply
5. Market Demand
6. Local Demand
7. Site Selection Factors
8. Scoring Matrix
9. Conceptual Designs
10. **Infrastructure Costs**
11. Cost per Usable Acre
12. Top Site Pro Forma, IRR

- Estimate “**off-site**” and “**on-site**” Development Costs (infrastructure) for top 3 sites
- Solicit assistance with estimated costs from consultants, engineers and contractors

Off-Site Preliminary Development Costs			
	Cooper Farm - 289ac	Gatlin Timber - 132 ac	Bass Rd - 268 ac
Gross Acres	257	132	268
Net Acres	207	115	233
Water/Sewer Access Cost	\$ 1,090,000	\$ 950,000	\$ 475,000
Natural Gas	\$ 250,000	\$ 320,000	\$ 230,000
RR Crossing	\$ -	\$ -	
TOTAL Dev't Cost	\$ 1,340,000	\$ 1,270,000	\$ 705,000
\$/Net Acre	\$ 6,473	\$ 11,043	\$ 3,026

Evaluation of Property for Development

METHODOLOGY

1. Overview
2. Existing/Planned Infrastructure
3. Engineering Data
4. Regional Supply
5. Market Demand
6. Local Demand
7. Site Selection Factors
8. Scoring Matrix
9. Conceptual Designs
10. Infrastructure Costs
11. Cost per Usable Acre
12. Top Site Pro Forma, IRR

- Apply “**off-site**” and “**on-site**” Development Costs (infrastructure) for top 3 sites

Development Costs Summary	Cooper Farm	Gatlin Timber Site	Bass Rd Site
Off-Site Dev't Costs**	\$ 1,340,000	\$ 1,270,000	\$ 705,000.00
\$/Net Acres, undev't**	\$ 5,607	\$ 11,043	\$ 3,161
\$/Net Acres, Recmmd	\$ 6,464	\$ 11,043	\$ 3,161
On-Site Dev't Costs**	\$ 2,460,000	\$ 893,000	\$ 4,060,000
\$/Net Acres, dev't	\$ 11,867	\$ 7,765	\$ 18,206
Total Dev't Costs	\$ 17,474	\$ 18,809	\$ 21,368
Subtotal (score 4-1)	4	4	3

Evaluation of Property for Development

METHODOLOGY

1. Overview
 2. Existing/Planned Infrastructure
 3. Engineering Data
 4. Regional Supply
 5. Market Demand
 6. Local Demand
 7. Site Selection Factors
 8. Scoring Matrix
 9. Conceptual Designs
 10. Infrastructure Costs
 11. **Cost per Usable Acre**
 12. Top Site Pro Forma, IRR
- Process each site to “**cost per net usable acre**” and apply data to the scoring matrix for final recommendations and conclusions
 - ▣ Pull data from **Physical Factors**, **Economic Factors** and **Development Cost** spreadsheet sections

		Cooper Farm	Gatlin Timber Site	Bass Rd Site
Gross Acres, undevel't		289	132	268
Mkt Val \$/Ac Net (A/D)		25,000	35,000	25,000
Total Net Acres		207	115	223
Total Mkt Val \$/Ac, Net		31,030	40,174	30,045
Off-Site Dev't Costs**		\$ 1,340,000	\$ 1,270,000	\$ 705,000
\$/Net Acres, undevel't**		\$ 5,607	\$ 11,043	\$ 3,161
\$/Net Acres, Recmmd		\$ 6,464	\$ 11,043	\$ 3,161
On-Site Dev't Costs**		\$ 2,460,000	\$ 893,000	\$ 4,060,000
\$/Net Acres, dev't		\$ 11,867	\$ 7,765	\$ 18,206
Total Dev't Costs		\$ 17,474	\$ 18,809	\$ 21,368
Total Dev't Land \$/AC		\$ 48,503	\$ 58,983	\$ 51,413
Total Dev't Recmmd		\$ 49,361	\$ 58,983	\$ 51,413
Subtotal (score 4-1)		4	2	4



Evaluation of Property for Development

METHODOLOGY

1. Overview
2. Existing/Planned Infrastructure
3. Engineering Data
4. Regional Supply
5. Market Demand
6. Local Demand
7. Site Selection Factors
8. Scoring Matrix
9. Conceptual Designs
10. Infrastructure Costs
11. Cost per Usable Acre
12. **Top Site Pro Forma, IRR**

- Identify top site by summarizing scores
 - Cooper Farm Site wins!



Site Selection Factors MATRIX Summary				
	MAX #	Cooper Farm Site	Gatlin Timber Site	Bass Road Site
Physical Factors Score	47	41	37	33
Economic Factors Score	(Score 4 - 1)	4	2	4
Dev't Costs Score	(Score 4 - 1)	4	4	3
Dev't Cost/ac Score	(Score 4 - 1)	4	2	4
Total Score	59	53	45	44

Evaluation of Property for Development

METHODOLOGY

1. Overview
2. Existing/Planned Infrastructure
3. Engineering Data
4. Regional Supply
5. Market Demand
6. Local Demand
7. Site Selection Factors
8. Scoring Matrix
9. Conceptual Designs
10. Infrastructure Costs
11. Cost per Usable Acre
12. **Top Site Pro Forma, IRR**

- ☐ Now, put the pieces together....
- ☐ Review Site Selection Matrix spreadsheet



Evaluation of Property for Development

METHODOLOGY

1. Overview
2. Existing/Planned Infrastructure
3. Engineering Data
4. Regional Supply
5. Market Demand
6. Local Demand
7. Site Selection Factors
8. Scoring Matrix
9. Conceptual Designs
10. Infrastructure Costs
11. Cost per Usable Acre
12. Top Site Pro Forma, IRR

- Prepare pro forma for top site based on assumptions to generate IRR.

ECG Industrial Park	- 7 Year, Three Phase								
Cooper Farm Site									
3/30/2010									
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Totals
Purchase Price of Land - 151 ac	-3,775,000								-3,775,000
Purchase Price of Land - 106.4 ac						-2,660,000			-2660000
Dev't Cost - Off Site, Soft		(200,000)							
Dev't Cost - Off Site, Hard			-1,340,000						
Dev't Cost - On Site, Soft		(600,000)	(80,000)		-80,000				
Dev't Costs - On Site, Hard			-1,150,000	-568,218		-985,383			(2,703,601.00)
? Timber Revenue 151 Acres?									
? Timber Revenue 106.4 Acres?									
Annual CAM		-10,000	-10,000	-10,000	-10,000	-10,000	-10,000	-10,000	(70,000.00)
Site Sale		1,706,550	\$1,791,878	\$1,881,471	\$1,975,545	\$2,074,322	\$2,178,038	\$2,286,940	13,894,745
Total	-3,775,000	896,550	-788,123	1,303,253	1,885,545	-1,581,061	2,168,038	2,276,940	6,161,144
Interest on principle (arrears)	0	-151,000	-121,178	-157,550	-111,722	-40,769	-105,642	-23,146	(711,007)
Cash Flow Used Avail to Repay Invest		745,550	-909,301	1,145,703	1,773,823	-1,621,830	2,062,396	2,253,794	
Investment	-3,775,000	-3,029,450	-3,938,751	-2,793,047	-1,019,224	-2,641,054	-578,658	1,675,136	
IRR	10.40%								
PV, Site Sale Revenue	\$5,047,966								



Evaluation of Property for Development

METHODOLOGY

1. Overview
2. Existing/Planned Infrastructure
3. Engineering Data
4. Regional Supply
5. Market Demand
6. Local Demand
7. Site Selection Factors
8. Scoring Matrix
9. Conceptual Designs
10. Infrastructure Costs
11. Cost per Usable Acre
12. **Top Site Pro Forma, IRR**

□ Review of Pro Forma Spreadsheet for Cooper Farm Site



Evaluation of Property for Development

CONCLUSIONS

- ❑ Based on the approach described, the top three (3) sites are:
 - ▣ Cooper Farm Site
 - ▣ Gatlin Timber Site
 - ▣ Bass Road Site
- ❑ For the reasons outlined under general and economic conclusions.



Evaluation of Property for Development

RECOMMENDATIONS

- ❑ Proceed and market as an exclusively public project?
- ❑ Proceed and market as an exclusively private project?
- ❑ Create a joint public/private partnership?



Evaluation of Property for Development

NEXT STEPS

- ❑ Project Management:
Team, Checklist, Schedule
- ❑ Financing
- ❑ Complete Due Diligence
- ❑ Marketing Materials
- ❑ Development Checklist
- ❑ Development
- ❑ Active Marketing



Evaluation of Property for Development

QUESTIONS???



EVALUATION OF PROPERTY FOR DEVELOPMENT

Contact Information

Jerry Silvio

Silvio Development Company

55 Kinloch Court

Covington, GA 30014

Ph: 404-372-2040 Fax: 678-342-9215

Email: jsilvio@SilvioDevelopments.com

