Financial Feasibility Analysis for Village Parcel

Town of Kennebunkport, ME

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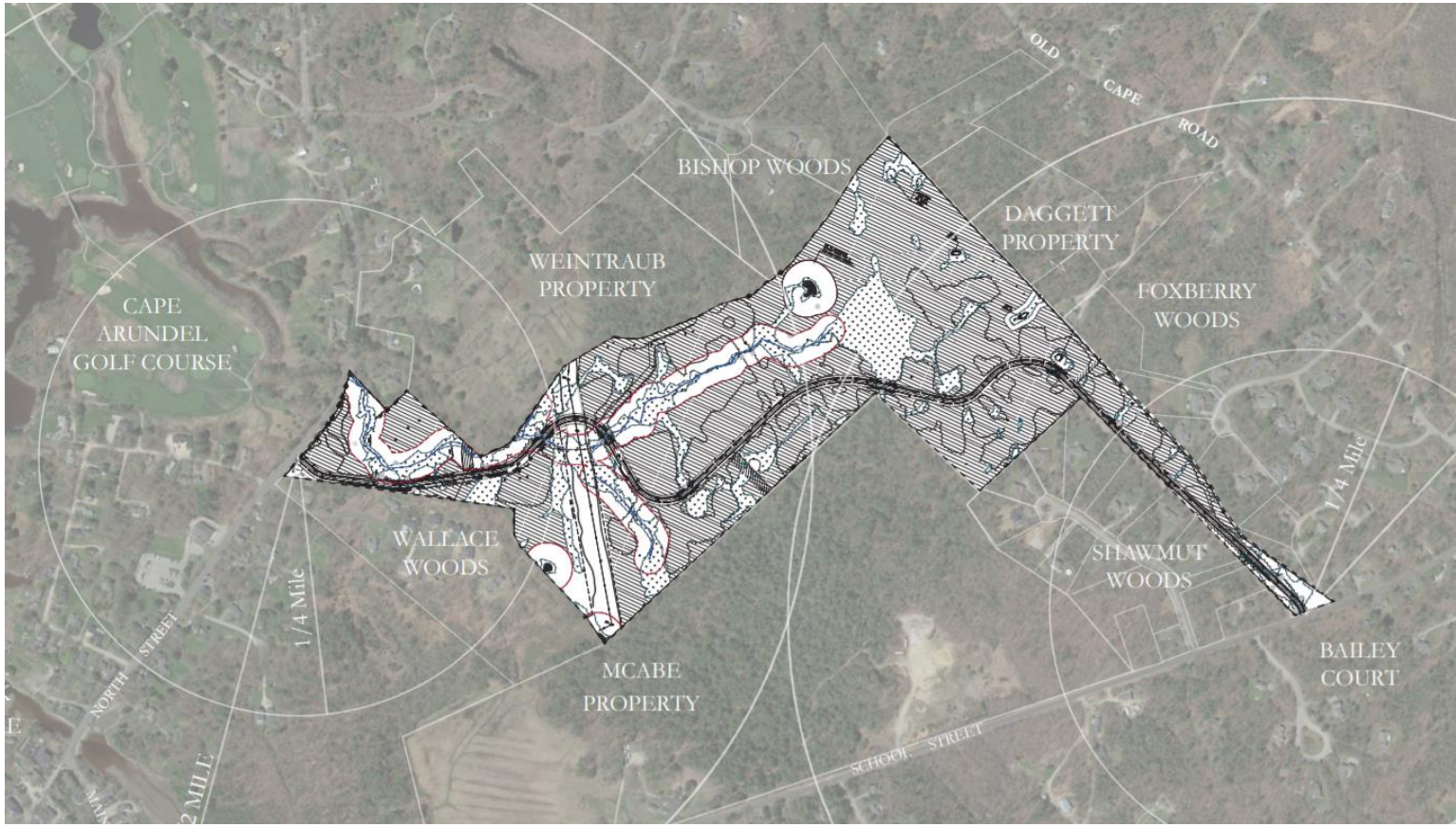
Image Source: http://www.visitingnewengland.com/scenesofnewengland86.html

Presentation Agenda

- Purpose of a Financial Feasibility Analysis
- Town Proceeds under Various Scenarios
- Affordable Housing
- Summary
- Q&A

Purpose of a Financial Feasibility Analysis

- Determines the financial return to the Town of undertaking different development scenarios.
- Shows the fiscal implications of planning decisions.

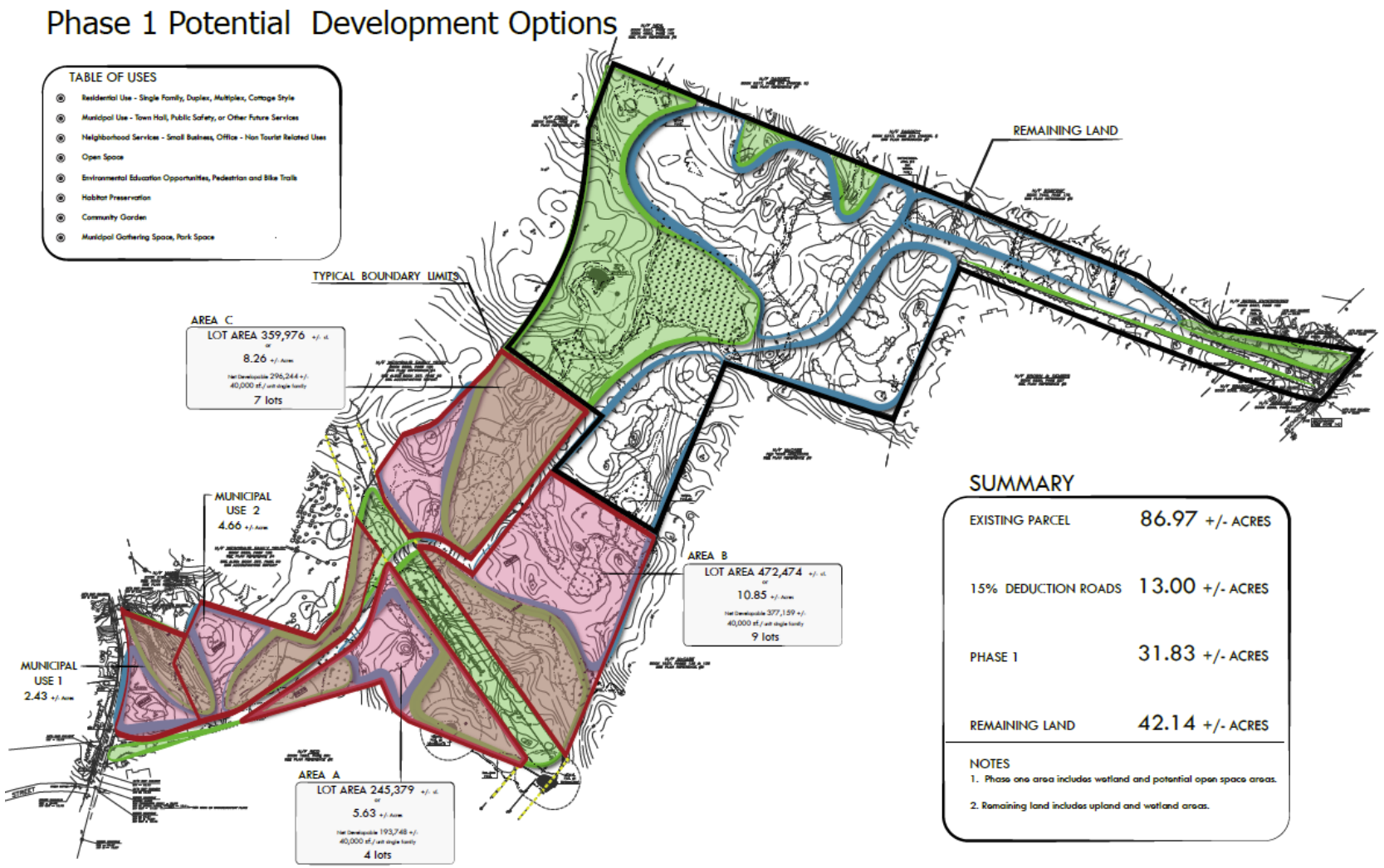


Developer's Investment Decision

- Town would work with a developer to develop the Village Parcel
- Developer will compare development costs against revenue potential
- Project must generate a competitive return

Maximum Site Costs per Square Foot of Development	
Home Sale Price per SF	$ 300
Typical Developer Margin	20%
Developer Margin per SF	$ 60
Construction Cost per SF	$ 175
Max Site Costs per SF	$ 65

Phase 1 Development



Development Options

- Developers want to build the most that can be absorbed in the market
- Higher development potential means higher land value, and higher proceeds for the Town
- Market potential limited by Town zoning and residential growth cap

Phase 1 Town Proceeds under Current Zoning

- 20 one-acre lots
- 3,000 SF average home size
- Average selling price of $900K
- Estimated Town proceeds between $500K - $1M

Town Proceeds from Phase 1		
	Current Zoning	
Lots		20
Average Home Size (SF)		3,000
Total Building SF		60,000
Max Site Costs per SF	$	65
Max Site Costs	$	3,900,000
Infrastructure Cost, Main Road	$	(2,200,000)
Infrastructure Cost, Secondary Roads	$	(1,000,000)
Town Proceeds	$	700,000

Source: Camoin 310, Mitchell & Associates

Phase 1 Town Proceeds under Higher Density Scenario

- 45 quarter- and half-acre lots
- 1,800 SF average home size
- Average selling price of $540K
- Estimated Town proceeds between $1M - $2M

Town Proceeds from Phase 1		
	Higher Density	
Lots		45
Average Home Size (SF)		1,800
Total Building SF		81,000
Max Site Costs per SF	$	65
Max Site Costs	$	5,265,000
Infrastructure Cost, Main Road	$	(2,200,000)
Infrastructure Cost, Secondary Roads	$	(1,600,000)
Town Proceeds	$	1,465,000

Source: Camoin 310, Mitchell & Associates

Town Proceeds from Phase 1

Town Proceeds from Phase 1		
	Higher Density	Current Zoning
Lots	45	20
Average Home Size (SF)	1,800	3,000
Total Building SF	81,000	60,000
Max Site Costs per SF	$ 65	$ 65
Max Site Costs	$ 5,265,000	$ 3,900,000
Infrastructure Cost, Main Road	$ (2,200,000)	$ (2,200,000)
Infrastructure Cost, Secondary Roads	$ (1,600,000)	$ (1,000,000)
Town Proceeds	$ 1,465,000	$ 700,000

Source: Camoin 310, Mitchell & Associates

$750K more in Town proceeds under Higher Density scenario

More Density = Higher Town Proceeds

Affordable Housing

- Affordable Housing price points between $175K and $360K
- Will not be delivered by the market under current zoning
- $100,000 per unit cost under higher density scenario
- More density = lower per-unit infrastructure cost

Developer Margin - Market-Rate vs Affordable		
	Market-Rate	Affordable
Sale Price per SF	$ 300	$ 200
Construction Cost per SF	$ 175	$ 150
Site Costs per SF	$ 65	$ 65
Margin per SF	$ 60	$ (15)
Margin %	20%	-8%

A Tradeoff Between Community Goals

- How should the Town's $10M investment be leveraged?
- How does the community value each goal?

Q&A

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