

# Developers Den IV



Team 4

# Problem Overview

There is currently a significant shortfall in YMCA's development budget at Bridlewood

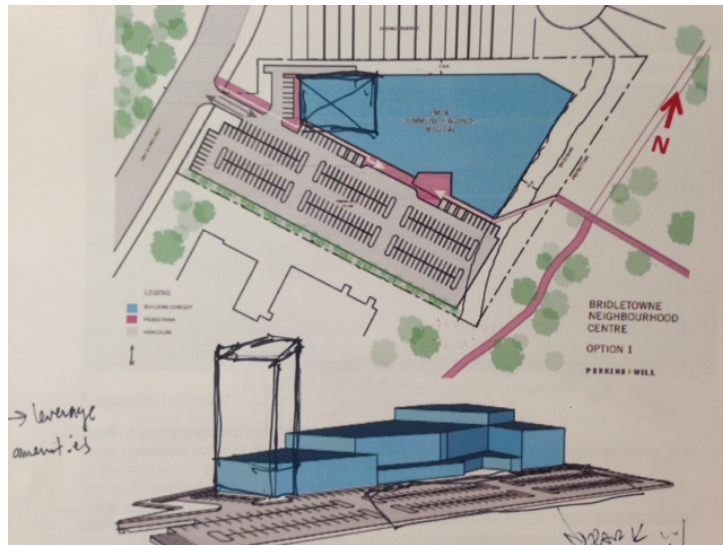
- For the project to advance on this important community asset, we must build 45,000 Sq Ft YMCA and 20,000 Sq Ft Charity X space, at a minimum
- Current budget relies heavily on philanthropy and it is not clear that debt-financing to fill the shortfall, even at subsidized rates, can be serviced



## Questions

1. How can YMCA finance the upfront development costs without incurring significant debt?
2. How much additional retail, if any, should YMCA plan to include in the final project?
3. Can we conceive of complementary uses to resolve the funding shortfall and lessen our dependence on slow-moving government funding and private donors?

# Executive Summary of Proposal



Our plan envisions a mixed use development, with ample community space and an option to develop retail in the future.

- 65000 SF YMCA and Charity X
- 10-12 Storey Condo
- 16000 SF Floor Plate
- No Retail Development – Option at future date
- 192 Underground Parking Stalls
- 100 Surface Stalls

# YMCA's Vision

We have master planned our development around the YMCA's core goals

- Inclusiveness
  - Community development initiatives and programs available through the YMCA
- Caring
  - Attainable Housing at 90% of market value
- Health
  - Vibrant community spaces for people of all ages

# Project Summary

Our goal is to finance upfront without long term hindrances

## Financing YMCA Development

- 65000 SF
- YMCA and Charity X
- Cost without retail development is \$30.4M

## Aligned Development Partner

- 12 Storey Condo
- 90% Market Value Sale Price

# Condo

The condo development is based on a discounted comparison of the Celebration Condos at Warden and Finch

## Comparable – Celebration Condo

- \$450-\$500 per SF

## Our Pricing Model

		Developer's Profit @ Sales Price Relative to Market			
		Market Value	90%	80%	75%
Sales Prices /sq.ft		\$450	\$405.0	\$360.0	\$337.5
	Air Rights	\$20	\$20	\$20	\$20
	Hard Cost / sq.ft	\$220	\$220	\$220	\$220
	Soft Costs for Building	25%	25%	25%	25%
Net Cost		\$295	\$295	\$295	\$295
<b>Net (Margin/Sq Ft)</b>		<b>\$155</b>	<b>\$110</b>	<b>\$65</b>	<b>\$43</b>
Total Salable Area/Floor		\$16,000	\$16,000	\$16,000	\$16,000
Number of Floors		\$12	\$12	\$12	\$12
Profit Per Floor		\$2,480,000	\$1,760,000	\$1,040,000	\$680,000
Profit for Units		<b>\$29,760,000</b>	<b>\$21,120,000</b>	<b>\$12,480,000</b>	<b>\$8,160,000</b>
Underground Parking					
Residents	\$40,000	\$7,680,000	\$7,680,000	\$7,680,000	\$7,680,000
<b>Net Profit</b>		<b>22,080,000</b>	<b>13,440,000</b>	<b>4,800,000</b>	<b>480,000</b>

# Developer

A development partner will need to be carefully chosen. They must want to be part of a community development project and will benefit from the positive association of partnering with the YMCA

## Developer Summary Analysis

Condo Development Cash Flow			IRR	NPV @ 15%
	2014	2015		
Sales @ 90%		38,880,000	38,880,000	
Sales @ 80%		34,560,000	34,560,000	
Sales @ 75%		32,400,000	32,400,000	
Parking Sales @ \$30K		2,880,000	2,880,000	
Air Rights	-3,840,000			
Hard Costs	-42,240,000			
Underground	-7,680,000			
Soft Costs		-5,280,000	-5,280,000	
<b>Cash Flow @ 90%</b>	<b>-53,760,000</b>	<b>36,480,000</b>	<b>36,480,000</b>	<b>23%</b>
<b>Cash Flow @ 80 %</b>	<b>-107,520,000</b>	<b>68,640,000</b>	<b>68,640,000</b>	<b>18%</b>
<b>Cash Flow @ 70%</b>	<b>-215,040,000</b>	<b>135,120,000</b>	<b>135,120,000</b>	<b>17%</b>

IRR	23%
NPV @15%	4,822,487

# Why Wait to Build Additional Retail?

Building any retail today above the 20,000 Sq Ft for Charity X is not advised. We would advise that YMCA wait until there are more tenants and amenities in the area before pursuing. The option to build under favourable market conditions in the future is valuable!

PESSIMISTIC ----->

Assume Construction with proceeds with Approvals

Total Costs Market Retail (15,000 sq ft)	Sq Ft	\$	Value
hard construction cost	15,000	254.740	3,821,100
land	15,000	75.000	1,125,000
develop+define	15,000	1.330	19,950
research	15,000	1.990	29,850
project mgmt	15,000	11.250	168,750
startup costs	15,000	3.980	59,700
contingency I	15,000	6.160	92,400
Contingency II	15,000	30.850	462,750
<b>Total (sq ft)</b>		<b>385.300</b>	<b>\$ 5,779,500.00</b>

Market Retail (15,000 SF)	Sq Ft	\$*	Value**
NOI (5% vacancy)	14,250	22	\$ 313,500
CAP (pessimistic)			0.0725
Capitalized Value			\$ 4,324,138
Cost to Construct			\$ 5,779,500
Profit/Loss of Sale upon Stabilization			<b>-\$ 1,455,362.07</b>

\*Rent Information from Appendix G - Pessimistic

\*\*Cap data from Colliers 2013Q4 Cap Rate Report

OPTIMISTIC ----->

Assume Construction following completion of YMCA & Condo

Total Costs Market Retail (15,000 sq ft)	Sq Ft	\$	Value
hard construction cost	15,000	254.740	3,821,100
land	15,000	75.000	1,125,000
develop+define	15,000	1.330	19,950
research	15,000	1.990	29,850
project mgmt	15,000	11.250	168,750
startup costs	15,000	3.980	59,700
contingency I	15,000	6.160	92,400
Contingency II	15,000	30.850	462,750
<b>Total (sq ft)</b>		<b>385.300</b>	<b>\$ 5,779,500.00</b>

Market Retail (15,000 SF)	Sq Ft	\$*	Value**
NOI (5% vacancy)	14,250	28	\$ 399,000
CAP (optimistic)			0.065
Capitalized Value			\$ 6,138,462
Cost to Construct			\$ 5,779,500
Profit/Loss of Sale upon Stabilization			\$ 358,961.54

\*Rent Information from Appendix G - Optimistic

\*\*Cap data from Colliers 2013Q4 Cap Rate Report



# Risks

Oversupply of residential product

- Especially project to the south and the Celebration Condo

Inability to find development partner

Lack of government and philanthropic funds

Planning and Zoning

# Mitigation

Differentiated product, below market value

Find developer who aligns with values. Precedents, such as Regent Park, Bell Lightbox. Fair risk adjusted IRR

Ability to service debt financing by adding \$0.10 per SF of condo maintenance fee towards YMCA

Public engagement, get community on board with project

# Final Product

5 years from now...

Community has evolved

- Programing at YMCA is thriving
- Condo units are filled with owners who are engaged in the community
- Retail option is more valuable as a result of the surround community
- Community forward fund looking to rent space and foster growing local business

# Thank You

