

SUBMITTAL INFORMATION REQUIRED FOR REVIEW OF REQUESTS FOR AGENCY FINANCIAL ASSISTANCE

1.0 Business Plan Submission

A responding Developer shall submit a comprehensive Business Plan. The Table of Contents listed below shall be incorporated into the Business Plan in the order shown below. All of the items listed below shall be responded to in the order and within the parameters stated below. Supplemental items should be added to the end of the Business Plan under a title sheet stated as such, "Supplemental Items." However, the Developer should note that supplemental items are not encouraged as part of the submission process.

1. Table of Contents
2. Introduction
3. Executive Summary
4. Developer Entity/Project Team
5. Approach to Developing the Site
6. Market Analysis
7. Marketing Strategy and Program
8. Financial Capacity
9. Feasibility of Project
10. Developer Responsibilities
11. Supplemental Items

1.1 Business Plan Format

To facilitate a review of materials, Developers shall submit all written and graphic materials in the formats stated below.

Binder Format: The City/Agency is requesting that the Developer submit four (4) copies of their Business Plan package. The copies should be presented in an 8.5"x11" loose-leaf three ring binder with the identification of the respondent clearly identified on the exterior front and spine covers of the binder. All material should be capable of being legibly reproduced in a black and white xerographic process. Sections of the binder should be titled/tabbed to conform to the required sections and elements to be addressed in the Table of Contents.

Presentation Materials: Large-Format presentation drawings of all planning and design concepts are also required as part of the submittal, not larger than 30"x40", mounted on appropriate material. A unique drawing such as a large-scale sectional evaluation, master plan or other large drawing may extend over more than one board. All large-format drawings must be included in the submittal package binder in an appropriately scaled format.

Use By the City/Agency: All materials submitted in the Business Plan submittal process shall be free of any copyright or other exclusive claim of intellectual property rights and the City and Agency shall reserve the right to utilize any and all materials for internal review, public display, public relations purposes related to its Business Plan review, Developer selection process, and any other appropriate purposes deemed necessary by the City of Tustin and the Tustin Community Redevelopment Agency. Materials marked “Confidential” will be appropriately treated unless as authorized by state law or otherwise directed by the City Attorney. Any material submitted by the Developer on a “Confidential” basis shall be marked and shall be displayed on each page, map, chart, table, graph, schedule, drawing/illustration, or other related material, as appropriate.

Graphics/Visuals: In an effort to clearly understand and have an overview of a proposal, Developers are encouraged to utilize visuals and graphics. This is particularly important in any discussion of: statistical data, economic/market data, financial data, and comparative examples. Developers incorporating visuals/graphics may include, but are not limited to, tables, graphs, and schedules. The Developer may submit a PowerPoint presentation summarizing the proposed Business Plan. In the event the Developer elects to include a PowerPoint presentation, it should be submitted on a CD-ROM disk. The PowerPoint presentation must not exceed 25 slides.

1.2 Table of Contents – Business Plan

As indicated above, the Developer shall submit a Business Plan following the Table of Contents format. An explanation of what the City/Agency is expecting in each section is provided.

1.2.1 Introduction

In this section, the Developer must explain the reason for wanting to develop the site. The Introduction must be no longer than one (1) page.

1.2.2 Executive Summary

The Executive Summary should be no longer than three to five (3-5) pages. The inclusion of tables is acceptable. This section should include the following:

- An Overview of the Development being proposed including land uses, product types, and offsite improvements.
- A Project Schedule indicating major milestones.
- Experience of the Development Entity.
- Initial Site Plan indicating all phases of the project including edge/perimeter improvements. The site plan must be no bigger than 8.5”x11”.

1.2.3 Development Entity and Project Team

Provide the name of the entity. Indicate the legal status of the named entity including supporting documents. These supporting documents should include, at a minimum, evidence of filing with the California Secretary of State in the event the entity is any of the following: a Corporation, Limited Liability Company or partnership (i.e., Limited Partnership, General Partnership, and Limited Liability Partnership). If the entity is a sole proprietorship, provide evidence of a filing with the County Clerk or County Recorder or State Income Tax filing for the most recent year, as appropriate.

1.2.3.1. Project Principal

Provide the name of the project principal, that is, the person and the title of the position responsible for the oversight of the project. In addition, methods of contact should be provided as indicated in the example below.

Principal Name, President
Developer Entity
Street, #000
City, State zip code

E-Mail: developer@dev.net
Direct Telephone: (000) 000-0000
Fax: (000) 000-0000
Pager: (000) 000-0000

1.2.3.2 Organization Chart

Provide an organization chart. The chart must clearly indicate the name of the person, the person's title, associated entity and function for which that person is responsible. The chart should, at a minimum, go down to the level of project manager. Associated consultants and advisors (e.g., legal, financial, design/planning, market analysis, engineering, interior design, public relations, advertising, etc.) directly involved with the project must be shown including the name of the principal, name of the related entity, and related functional responsibility.

1.2.3.3 Developer's Team

1. Background Information on the Developer's Team:
Provide resumes for all individuals on the Developer's team from the project's principal to the level of project manager.
2. Background Information on Developer's Consultants/Advisors:
Provide resumes for all individuals on the Developer's Team from the consultant's/advisor's principal to the appropriate level of project level responsibility.

3. Statement of Functions and Responsibilities:

Provide a description of the functions and responsibilities of each of the individuals identified as the Developer's Team and the Developer's Consultants/Advisors.

1.3 Approach to Developing the Site

Under this section of the proposal the Developer shall provide narrative descriptions and graphic illustrations of the proposed project. At a minimum, the Developer must describe the following:

1.3.1 Overview

Describe in a narrative and graphic/visual format the proposed comprehensive approach to developing the site, by addressing planning and design concepts. Narrative and graphic displays should be interwoven in order to more easily understand the concepts being proposed. The submittal may also be the same level of information required for a City of Tustin Design Review submittal.

1.3.2 Site Plan

The Developer shall provide and discuss a proposed site plan addressing land uses, circulation, and utilities.

1.3.3 Land Uses

Provide a narrative description and graphical illustration of the land uses indicating the following:

- Location of each land use (e.g., residential, recreational, streets both private and public, private and public open space and required park land.)
- Location of building sites
- Anticipated density of product by land use
- Parking
- Lot configurations/parcelization schemes for each land use (e.g., zero-lot line, cluster, angled z-lots, zipper, wide and shallow, long and narrow, alternate-width lots, stacked, alternate stacked, etc.)
- Floor-to-Area (FAR) ratio and coverage ratio by land use

1.34 Circulation

Provide a narrative and graphical illustration of the circulation system including, but not limited to, streets, parking, walkways, and bikeways.

- Indicate access points to the site and linkages to existing neighborhoods and future land uses in Tustin Legacy.
- Indicate how the conceptual street system will be integrated into the City and regional street network.
- On-street parking and off-street parking requirements proposed on the site.
- Relationship of Proposed Project to Adjacent Land Uses.
- Demonstrate how the proposed project would relate to surrounding land uses.

1.3.5 Design Concepts and Products

The Developer shall identify the design concept for the site by land use and product type. This description should address elements such as massing/height, architectural characteristics and features, linkage/circulation characteristics and features, and landscaping characteristics and features. The narrative description and graphical illustrations (i.e., typical elevations) of the models by product type should address and the following:

- Identification of proposed product type (i.e., single-family detached, single-family attached, townhouses, patio houses, walk-up apartments, stacked apartments) and configuration (i.e., conventional lot, zero-lot-line, Z lot, zipper lot, wide-shallow lot). This description should list the square footage for each product type and the aggregate amount of square footage by model type, number of bedrooms and typical floor plans.
- Identification of ownership tenure (fee simple, condominium, cooperative, interval) by product type.
- Identify location and characteristics of affordable housing units.
- Submission of conceptual elevations for each product type including a frontal view and side views.

A narrative description and graphical illustration of landscaping, streetscape and gateway design concepts should also be provided, where appropriate, addressing the following:

- Grading including major modifications to the existing landform

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- Drainage including stormwater management
 - Internal landscaping concept
 - Perimeter landscaping concept
 - Internal and perimeter wall and fence concepts and entrance gateways
 - Public and private streetscapes concept
 - Lighting concepts
 - Trash collection facilities
 - Sign and graphics facilities
 - Any private or public outdoor spaces or park land delineating active and passive areas

1.3.6 Phasing Plan Concept

The Developer shall furnish a phasing plan concept indicating the anticipated sales schedule for the project by phase and product type. The plan should indicate phasing boundaries and the sequence in which those phases will be developed. The phasing plan should indicate, at a minimum, the land use and product types. All related statistical information for each phase should be included.

1.3.7 Utilities

Provide a narrative description of the utilities that will be serving the site. Indicate and explain the impact of the proposed project on existing infrastructure capacities and planned improvements. This narrative should indicate and explain any major obstacles to the installation and on-going operation of those utilities serving the site. The following utilities should be addressed.

- Water
- Electrical
- Gas
- Sewage
- Telecommunications including broadband access
- Solid Waste
- Drainage/Flood Improvements
- Cable TV and related cable services

1.3.8 Energy Consumption

Provide a narrative description demonstrating how this project would optimize energy usage through site placement and architectural elements. Special design components, appliances, building materials and planting materials that would achieve this goal should be discussed.

1.3.9 Maintenance Plan

The Developer must submit a Maintenance Plan indicating how improvements will be maintained after construction. The plan must address private property (residential units), in-tract infrastructure, and common areas within the site including community facilities. Funding for the plan must be addressed. Funding for this maintenance plan must be consistent with the phasing plan (section 1.2.7). The Plan must address the initial years of operation (years 0 through 3 for each phase) and the long term funding (years 4 plus).

1.4 Market Analysis

The Developer shall submit market condition information, which supports the Developer's product recommendations, the quality and level of the products being offered, sale prices, and phasing. To support the Business Plan recommendations, information should include: a demand analysis identifying target markets from which consumers are anticipated to be drawn; a supply analysis assessing the market area for for-sale products; and, an analysis of competing products within the market area.

Conclusions should be based on the demand analysis, supply analysis, and analysis of competing products which recommend a price range schedule by phase and product, and a sales schedule by product.

1.5 Marketing Strategy and Program

The Developer should describe the overall marketing strategy and anticipated programs that will be used in carrying out this strategy. The tone/theme for the proposed project should be clarified including:

- Describing the target markets by product type
- Method of positioning the proposed product types within the market
- Method of reaching the targeted markets
- Necessary timing to implement the proposed merchandising and promotional programs.

The Developer should also show the marketing budget in the feasibility analysis as a percentage of gross sales.

1.6 Financial Capacity

The City/Agency is seeking to determine the ability of the Developer to finance the project in its entirety from the pre-development stages to the last phase of the project.

1.6.1 Submission of Financial Statements

The Developer must submit signed financial statements for the last three years (calendar or fiscal years). Two officers of the entity must sign these financial statements; one must be the Chief Financial Officer. The Developer's financial statement will be kept confidential to the extent allowed by law. The Developer should refer to California Government Code §6250-6268 and the case law decisions for further information. To the extent that there has been no material change to the information previously submitted in the RFQ process, only new information needs to be provided.

1.6.2 Sources of Funds

The Developer must indicate how the project will be financed including equity and debt. For the purposes of this submission, the Developer must demonstrate how the Total Cost of Development is proposed to be financed for the project in its entirety and by phase.

The Total Cost of Development will not take into consideration the terminal value of the project (i.e., the value of the project when all phases have been sold, sometimes referred to as Developer's Value Added Contribution). In addition, the Developer should not assume that City/Agency granted development rights are to be considered as Developer equity.

The Developer must submit, as applicable, the following information.

1.6.2.1 Equity Capital

- Amount of equity and percentage of the Total Cost of Development for the entire project
- Distribution of equity by phase including the percentage of the Total Cost of Development for each phase
- Form of equity including cash and cash equivalents. The form of equity should be shown by phase.
- Source(s) of equity including a signed statement from the Developer indicating the following:
 1. Sources of equity including entity financing and investor financing for the project in its entirety and by phase
 2. Sufficient equity to finance the entire project

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3. A dedicated project account(s) will be established in which cash and cash equivalents would be retained. This statement must be signed by at least two officers of the Developer's entity, one of which must be the Chief Financial Officer.

1.6.2.2 Debt Capital

If debt funding is used, the Developer must demonstrate the availability of funding source(s) from at least two lenders for each phase. These funding sources can be demonstrated by providing commitment letters from viable financing sources (e.g., insurance companies, pension funds, banks, investment funds). The commitment letters must indicate, at a minimum, the following:

- Amount of loan(s), by phase if applicable.
- Form of loan(s) the lender(s) is willing to finance including the basic terms and conditions of the loan(s) including convertible debt and equity participation.
- How the lender(s) would propose that the Developer collateralize the loan(s), if applicable.
- The Developer must disclose the relationship between the lender(s) and the Developer. If the relationship is not arm's length in nature, that is, the Developer or any of the persons on the Developer's team have an interest in a lender's entity, the Developer must disclose the nature of the relationship.

1.7 Feasibility Analyses

The Developer shall provide two project pro formas, one will be a Static Analysis and the second will be a Cash Flow Analysis. The Static or "Buildout" Analysis must show the project as if all products were completed in one phase.

The second analysis, a Cash Flow Analysis, shall address phasing, fund disbursement, and sales schedule. All assumptions with the exception of interest costs associated with debt, should be consistent with the Static Analysis.

All assumptions in both analyses must be explained and assumptions shall be consistent with the items previously addressed in the Business Plan including the Approach to Developing the Site, Market Analysis, Marketing Strategy and Program, and the Sources of Funds.

1.7.1 Static or Buildout Analysis

Appendix A shows the format the Static Analysis should follow. A separate table, as shown in Appendix A is to be submitted for each phase and for each product within that phase. For example, Phase 1 may have two different product types such as townhouses and single-family detached units; in which case, two pro formas would be required, one for each product in that phase.

The Developer must accompany the pro forma with a separate narrative explaining all assumptions. The table for this analysis is broken down into three general categories: 1) Project and Data Summary; 2) Revenues; and 3) Costs. *All listed items should be shown on a per unit basis and a total for each item in that category, unless stated otherwise, in Section 'A', Project and Data Summary.*

1.7.2 Cash Flow Analysis

The Developer must submit a cash flow analysis showing the project on an annual basis by phasing and product type. The Developer may use a cost escalation factor and a sales escalation factor; however, any escalation rates or other assumptions used must be clearly indicated. As previously noted, all assumptions used in this analysis must be explained or referenced in an accompanying narrative.

The Developer must show the following Measures of Profitability:

- Internal Rate of Return (IRR)
- Net Present Value (NPV)
The NPV analysis should be run using an annual discount rate of 8%, 10% and 12%
- Return on Equity (ROE)
- Profit Per Unit by product type for each phase
- Profit as a Percent of Gross Sales Revenue by product type and phase

1.7.3 Submission of Analyses in Electronic Format

In addition to a written submission, the Developer must submit both the Static Analysis and Cash Flow Analysis, in an electronic format on a standard CD-ROM disk (writable disk only, read/write disk is not acceptable). The models used in the analyses must not be "protected" or "locked." All assumptions must be clearly delineated. Variables used in these analyses are not to be embedded; all variables must be locked in the Assumptions section of the model.

Acceptable electronic formats are Microsoft Excel 2003 version. The City/Agency will also accept analyses developed using a dedicated real estate residential software application provided all information requested in Section 1.7.1 and 1.7.2 can be produced with the software; however, the Developer will be expected to fund the City/Agency purchase of a current version of the appropriate software. If the Developer chooses this later option, a check for the required software must be submitted simultaneous with the submission of this Business Plan.

1.8 Supplemental Items

The Developer is allowed to submit related information in this section. All information submitted in this section must, at a minimum, meet the following criteria.

- Information must be directly associated with the Business Plan being submitted.
- Information must be clearly delineated as to the purpose of the submission and its relevancy to the Business Plan.

Appendix A – Static Analysis Example

STATIC ANALYSIS

PRODUCT TYPE

Delineate Product Type (e.g., Single Family Detached, Townhouses) and Phase#

PHASE #

A. PROJECT & SUMMARY DATA

- Site Area
- Number of Units
- Density Unit/Acre
- Open Space
- Product Type as % of Phase
- Product Type as % of Total Project

Average Sizes

- Avg. Price /unit
- Avg. Unit Size
- Avg. Lot Size

Cost Data

- Avg. Finish Lot Cost (On-Tract)
- Avg. Finish Lot Cost (On-Tract + Off-Tract)
- Avg. Finish Lot Cost (On-Tract + Off-Tract + Land)

Net Income Data

- Net Income, After On-Tract
- Net Income, After On-Tract and Off-Tract
- Net Income, After On-Tract, Off-Tract and Land Acquisition
- Net Income, After On-Tract, Off-Tract, Land Acquisition, and Financing

*list all Net Income Data
both as a lump sum and as
a % of the sales price*

B. REVENUES

Unit Total

- Gross Sales
- Miscellaneous (*delineate all items in assumptions narrative*)
- Total Revenue:**

C. COSTS

On-Tract

Unit Total

- Direct Construction Costs
- Site Improvements (on-tract)
- Indirect Construction Costs
- General Overhead
- Marketing
- Sales Commissions
- Warranties
- Property Taxes
- Miscellaneous (*delineate all items in assumptions narrative*)
- Total On-Tract:**

Off-Tract

Unit Total

- Fair Share Backbone Infrastructure Costs
- Miscellaneous (*delineate all items in assumptions narrative*)
- Total Off-Tract:**

Land Acquisition

Unit Total

- Base Price
- Participation Price
- Total Land:**

Financing

Unit Total

- Fee(s)
- Interest (*assume: const.= 9 mos., sales=5 mos.*)
- Miscellaneous (*delineate all items in assumptions narrative*)
- Total Financing:**