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Purpose and Introduction

This purpose of the Decision Enhancer Tool is to facilitate the redevelopment of underutilized and/or abandoned properties that may be contaminated in northern West Virginia counties. The Land Use Decision Enhancer Tool can help you consider land reuse options and think about future uses for complex sites that are economically and environmentally sustainable.

While this Decision Enhancer Tool cannot replace a formal property appraisal or financial analysis, it does follow to some extent, a typical appraisal approach to determine the outcome. In general terms, this Land Use Decision Tool will help determine potential reuses that are:

- Legally permissible
- Physically possible
- Maximally productive
- Financially feasible

The information gathered in this process will help municipalities assess the strengths and weakness of particular parcels of land and prepare proactive strategies that lead to productive redevelopment of these properties.
The Land Use Decision Enhancer Tool is part of a three-stage planning process for developing sites:

- **Land Use Decision Enhancer Tool**: The Land Use Decision Enhancer Tool is a dynamic, spreadsheet-based tool that supports the evaluation of reuse options for sites undergoing revitalization. The spreadsheet tool is accompanied by this handbook, which walks you through the data collection process. By collecting community and site-specific data in a comprehensive and organized way, the Land Use Decision Enhancer Tool provides guidance to communities about what to consider when identifying potential reuse options for a site, and collects this important information in a single electronic file for future use by the community.

  The Land Use Decision Enhancer Tool evaluates the collected data and returns a score for ten potential land use options, allowing you to compare the relative potential viability of those real estate products at the site. It is important to note that the Land Use Decision Enhancer Tool will not determine the best reuse option for a site; it allows only for the comparison of real estate products against one another. Communities should view the results of the Land Use Decision Enhancer Tool as simply another data element to consider in the next step of the process, the Redevelopment Planning Exercise.

- **Redevelopment Planning Exercise**: After using the Land Use Decision Enhancer Tool to identify potentially viable land use options, you need to consider the potential land use options and develop a conceptual site plan that identifies the size, scope and characteristics of a potential development. Each conceptual site plan should identify proposed buildings, pedestrian and vehicular circulation patterns and parking needs. The type and square footage of new buildings should be given consideration, as well as required parking. The final output of this phase is referred to as a redevelopment concept.

- **Financial Feasibility Analysis: Pro Forma**: The final phase of the site reuse planning process outlined in this handbook is to perform a simple pro forma or financial feasibility analysis on the selected redevelopment concept to determine the potential financial feasibility of a real estate project. The pro forma provided in this Land Use Decision Enhancer Tool is a simplified “back-of-the envelope” worksheet that allows communities to perform a quick evaluation of the viability of a reuse option on a site. It is recommended that multiple reuse scenarios, or concepts, be evaluated for financial feasibility.

Each community and site in the Focus WV Brownfields Mini-Grant Program is unique, and not all sites are at the same stage in the redevelopment process. This handbook and tool have been developed to encourage community discussion, professional planning and sound decision making; it is not intended to be a standalone product to provide a decision on the best reuse option for a site. Regardless of a property’s readiness for redevelopment, communities can use this process to gain a better understanding of each property’s potential and the factors affecting its redevelopment.

As described above, the Land Use Decision Enhancer Tool is designed to provide another data point, in addition to the many data points that will be required, to develop a reuse plan/redevelopment concept at selected brownfield sites. The outputs of the Decision Enhancer Tool should not be used independently or as the primary reuse decision-making tool at any site. The site owners and individual developers that will ultimately make reuse planning and investment decisions should base these decisions on their own unique drivers, detailed valuation tools and local knowledge of the site.
Background Information: General Planning Considerations

The following information is provided to give you background information on general planning considerations that should guide the evaluation of a property and its potential for redevelopment. This information may be considered in determining potentially appropriate land uses for a particular property. While this information is typical of the land uses identified, it is not representative of all land uses or end users. It is provided as a framework for communities to evaluate the likelihood that a redevelopment would be successful on the subject property.

This information may be useful when entering data into the Land Use Decision Enhancer Tool or in completing the Redevelopment Planning Exercise.

Property Characteristics

Property characteristics determine what and how much can be built on a parcel of land. The following general guidelines will help in calculating the size of a potential development.

**Property Size:**

One acre = 43,560 square feet (SF) of land

**Density**

Density can be accomplished by building a footprint and the number of floors. The following graphic depicts the ways in which density can be achieved.

**Parking**

Each parking space requires about 300 SF of land. This amount includes 200 SF (10 x 20) for actual parking and another 100 SF for turning, access, curbs, etc. The amount of parking required is directly related to land use. Most local land use regulations specify the amount of parking required. On mixed-use properties, parking spaces can be shared by land uses depending on the number of occupants likely to be onsite at one time.
Land Use/Real Estate Considerations

Capitalization Rates
Capitalization (cap) rates vary by type of property and the current economic climate. In volatile markets, cap rates fluctuate regularly. Capitalization rates reflect risk; the higher the cap rate the greater the risk and the lower implied value of the real estate. The following is an example of typical cap rates for varying property types:

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Cap Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downtown Office</td>
<td>8.5%</td>
</tr>
<tr>
<td>Suburban Office</td>
<td>9.1%</td>
</tr>
<tr>
<td>Industrial</td>
<td>8.9%</td>
</tr>
<tr>
<td>Research &amp; Development</td>
<td>9.2%</td>
</tr>
<tr>
<td>Apartments</td>
<td>8.5%</td>
</tr>
<tr>
<td>Full-service Hotel</td>
<td>9.8%</td>
</tr>
<tr>
<td>Limited-service Hotel</td>
<td>11.5%</td>
</tr>
<tr>
<td>Community Shopping Center</td>
<td>9.1%</td>
</tr>
<tr>
<td>Regional Mall</td>
<td>8.5%</td>
</tr>
<tr>
<td>Brownfield Redevelopment</td>
<td>12%</td>
</tr>
</tbody>
</table>

Housing/Residential
The two broad, primary categories within the housing market are single family (usually owner occupied) and multi-family housing (more often rental, sometime condominium). Multi-family housing units include townhouses, garden style and multi-story apartments. Demand for housing generally increases because of population and job growth. Demand may also be affected by housing prices in surrounding communities. For example, if housing prices increase dramatically in one market, that may create higher demand for lower cost housing in another market. Demand for specific types of housing may exist even when the overall housing market is stagnant.

Housing submarkets may be tied specifically to community demographics. Student housing is tied to local universities and colleges, elderly housing is tied to aging populations and affordable housing is directly related to income levels and available subsidies.

Office/Commercial
The office space market may include service firms (i.e., finance, insurance, real estate, law, architecture and engineering), technology, healthcare or medical, corporations and businesses.

The demand for office space is directly related to the production of goods or services in the local, regional or national economy. Demand increases when the numbers of firms increase, the number of employees increase or the amount of space needed per employee increases. These increases are generally related to economic, population, and/or income growth. Therefore, understanding the economic trends of the region is important to determining potential for growth in office space.

Space requirements per office worker vary by industry and end user. A general rule of 400 SF of total building space per employee is often referred to in the industry. Office uses generally require 3-4 parking spaces per 1,000 SF of office space.

Industrial, Warehouse and Distribution
Industrial space can be divided into three primary types of space: manufacturing, research and development, and warehouse space.

Demand for manufacturing is often driven by access to raw materials and the availability of a workforce. The trade of goods, transportation networks and available land all drive the demand for
warehouse space. Lease rates for industrial and warehouse may vary within a single market, as will demand.

Typical building sizes and parking requirements:
- Small to mid-size fulfillment and distribution: 20,000 – 50,000 SF
- Major Warehouse/Distribution Center: 100,000 – 500,000 SF
- Retail/Wholesale Distribution Center: 500,000 SF
- Parking: 1 space / 1,000 SF
- Truck parking: 2 truck spaces (1,000 SF) per dock

Energy Uses
Power generation, energy distribution, and other related energy uses are specific submarkets considered heavy industrial. From a zoning perspective, energy uses generally fall under industrial land use regulations. However, there are several reasons to consider energy uses as a separate land use category.

State and federal incentives often exist for power generation, specifically renewable energy such as wind, solar, biopower, or geothermal. These incentives are beyond traditional incentives available to industrial developments.

Natural resources, land formation and access to the power grid are critical to a site's viability for energy use. Sites without these resources may be appropriate for industrial uses, but not viable for power generation.

Retail Uses
Parking: 5 spaces per 1,000 SF of retail space

Single user retail properties:
- Drug store/pharmacy: 10,000 – 15,000 SF, 0.5-3 acres
  Population of 10,000-20,000 people within 3 miles
- Grocery store: 35,000 – 60,000 SF, 4-10 acres
  Population of 30,000-50,000 people within 5 miles
  Must be able to capture 10% of the market
- Specialty food markets: 8,000 – 17,000 SF
- Office supply chain store: 25,000 SF
- Big box retail: Minimum traffic counts of 50,000 cars per day
- Warehouse clubs: 125,000 – 200,000 SF
- Home improvement warehouse: 110,000 SF

A convenience center provides for the sale of personal services and convenience goods. It generally contains a minimum of three stores, with a total gross leasable area of up to 30,000 SF. A convenience center typically has an anchor of some other type of personal/convenience service, such as a minimarket or drugstore.

Boutique retail refers to smaller, non-chain retail and can range from highly fashionable shops, to those that service a marina. Boutique retail can include non-chain restaurant uses.

A neighborhood center provides for the sale of convenience goods (e.g., foods, drugs and sundries) and personal services (e.g., laundry and dry cleaning, barbering, shoe repairing, etc.) for the day-to-day living needs of the immediate neighborhood. It may include a restaurant of some format. It is typically built around a principal supermarket tenant, and usually has a gross leasable area of about 60,000 SF. In practice, it may range in size from 30,000 to 100,000 SF.
A **movie theater** (3 – 20 screens) generally requires a population of 20,000 – 60,000 residents. The building will range from 5,000 – 40,000 SF on 4 – 10 acres of land. Movie theatres can share space within retail centers.

A **regional center** provides general merchandise, apparel, furniture, and home furnishings in depth and variety, as well as a range of services and recreational facilities. It is built around one or two full-line department stores of generally not less than 50,000 SF, although there are exceptions in small communities. The typical size is about 500,000 SF of gross leasable area; in practice, it may range from 250,000 to more than 900,000 SF. A **super regional center** is built upon three or more large anchors and is often one million or more gross leasable area.

There are varieties of large shopping centers that do not have the traditional department store anchors or indoor mall. Big Box or Power Center refers to freestanding, 100,000+ SF stores, with three or more in a power center. A super community/community center may range from 100,000 to 500,000 or more SF with power centers among the largest. Often these centers feature a discount department store such as Walmart or Target.

**Highway commercial** properties consist of retail and commercial uses attractive to a broader market within a regional highway system. It may include one of the retail centers described above, as well as a movie theatre, recreational center, or other regional draw. It often includes national chain restaurants or hotels that draw customers from highway traffic.

**Restaurants and other food services** can be defined as a retail, commercial or hospitality use, depending on the type of establishment. If a community is considering a site for a restaurant or food service use, it should first determine the most viable real estate use for that site (e.g., retail), then determine the most appropriate type of restaurant or food service use.

**Hotel, Hospitality and Entertainment**
Hotels can be aimed at tourists, travelers, or servicing nearby businesses. Hotels geared toward the business market require approximately 1,000,000 SF of nearby office space per 100 rooms. This size hotel requires at least five acres of land. Hotel rooms average 1,000 SF per room, which encompasses guest rooms, restaurants and common areas.

Hotels and restaurants targeting tourists are generally located within a strong tourism market, near tourist destinations, or along key transportation routes. Similarly, hospitality venues are often located near colleges and universities, religious and cultural institutions, and along major highways.

Income for hotels is based upon the per-night charge per room and the expected occupancy rate per year, as well as restaurant and conference business. Occupancy rates may vary between weekdays and weekend depending on the targeted clientele. Occupancy rates may be seasonal and such variations should be considered when running financial *pro formas*.

Parking requirements for hotels vary, but generally require two spaces per room. Highway hotels, targeting single night guests, generally require one space per room. A hotel with meeting and convention space requires considerably more (2-3 space) per room.

**Mixed Uses**
Mixes use development is a real estate project with planned synergy among a combination of retail, office, residential, hotel, recreation or other uses, and can include both large and small projects. Many mixed-use developments are pedestrian and/or transit oriented. Rising land prices and smart growth principles have been the driving force in mixed-use developments.
The Land Use Decision Enhancer Tool consists of this handbook and seven blue tabs in the corresponding Excel Workbook. The Land Use Decision Enhancer Tool is organized into six sections of questions and a seventh section summarizing results. The tool is designed to guide the collection of data to support land use decision making and to compare the viability of reuse options against one another. The sections are:

1. Property
2. Environmental
3. Land use characteristics
4. Community
5. Demographics
6. Market Assessment
7. Decision Enhancer Summary

Developers and end users commonly ask the questions presented in the Land Use Decision Enhancer Tool before embarking on a new development. By collecting the data needed to respond to each question, communities will be equipped with the key information and terminology needed to move sites forward in the development process.

The Land Use Decision Enhancer Tool includes three types of questions:

**Data specific** These questions require you to collect and enter specific data about the property, region and real estate market. Some of this data will directly feed into other sections of the workbook. This data should be evaluated when you determine the potential scope and size of the future development.

**Land Use Criteria** Certain questions directly affect the feasibility of a particular land use. The questions are intended to draw out the strengths and weaknesses associated with particular land uses at a particular site. Land Use Criteria questions may reflect site conditions or location, rely on data or require subjective input. These questions often directly affect Decision Enhancer Tool scoring.

**Subjective** These questions ask you to rely on your knowledge of the property, community and region to provide insight into the potential land use options. While these questions are often not scored, the information should be used in evaluating potential reuse options.

**Scoring**
The purpose of the Decision Enhancer Tool scoring is not to identify a single land use, but to highlight strengths and weaknesses associated with particular land uses, and allow you to compare the relative viability of land uses against one another. Questions presented in the Decision Enhancer Tool will be scored according with the following system:

- **+1** = This is a positive attribute and contributes to the strength of the property
- **-1, -2** = This is negative attribute and a weakness associated with the property
- **0** = This attribute is either neutral or non-applicable to the potential land use
- **FF** Some answers will be identified as a **Fatal Flaw** (FF). A Fatal Flaw is an issue or concern that will likely remove a potential land use from further consideration.
A note of caution regarding Fatal Flaws: The Decision Enhancer Tool allows you to assign “Fatal Flaws” to land uses that are incompatible with the community’s vision for a particular property (e.g., Tab 3. Land Use Characteristics: Line 49, and Tab 5. Demographics: Line 143). However, a community’s vision for a property may not be supported by market conditions. We encourage you to answer all data-driven questions and view the results of the Decision-Enhancer tool before answering the Fatal Flaw questions.

All questions that directly affect Decision Enhancer Tool scoring are noted as such in the handbook. Questions that do not show scoring rationale in the handbook are not scored directly. However, it is important to note that responses to non-scored questions provide valuable background information that is critical to planning a brownfield reuse. Communities should carefully consider the answers to these non-scored questions during the planning process.

In addition, in many cases, the Decision Enhancer Tool will ask you to review the responses to previous data-driven questions when answering a subjective question. We encourage you to answer as many questions as possible. If data is unavailable, you should still respond to the subjective questions based on your best professional judgment and knowledge of the local real estate market, economy and demographics.

The following six subsections identify the questions and scoring associated with the first six tabs of the Decision Enhancer Tool, and provide guidance on entering data in the Excel Workbook. The beginning of each subsection provides guidance on likely data sources in the community and region. We strongly encourage you to use this Handbook while entering data.

1. Property
   The purpose of this tab/section is to understand the specific size and improvements on the subject property. The data from this section will identify the amount of land available for development and the potential reuse of any existing buildings. This information should be used to create a redevelopment concept.

   Property Identification
   Add the most commonly used name of the site, the property’s address including town and state, the site’s point of contact, and a phone number for the point of contact. The site name will carry through to all other tabs of the Decision Enhancer Tool.

   Property Size
   Sites whose size, topography, and layout provides a larger usable area that can accommodate particular types of buildings and provide ample vehicular access are more valuable to some types of development. This information is generally available from assessor property records, land deeds, local mapping, and site-specific reports or observations.

   Property size (acreage)
   The following questions are designed to identify areas of the property that cannot be developed. If there is an area of the property that can be reported in more than one category, only report it once.

   Does any portion of the property contain wetlands?
   If yes, enter acreage or percentage of the property.

   Is any portion of the property in a 100-year flood plain?
   If yes, enter acreage or percentage of the property.

   Does any portion of the property contain endangered species or protected habitat?
   If yes, enter acreage or percentage of the property.
Does any portion of the property contain archaeologically sensitive areas?  
If yes, enter acreage or percentage of the property.

Does any portion of the property contain slopes greater than 15%?  
If yes, enter acreage or percentage of the property.

Does any portion property contain easements preventing development?  
If yes, enter acreage or percentage of the property.

Does any portion property contain deed restrictions preventing all types of development?  
If yes, enter acreage or percentage of the property.

Are there other areas of land that are not available for development  
(e.g., narrow portions of the site that will not support development)?  
If yes, enter acreage or percentage of the property.

Usable acreage available for development:  
(Automatically calculated by subtracting constrained land from total land area)  
Inadequate usable land may be a Fatal Flaw for some uses. This varies substantially by use.  
The Land Use Decision Enhancer Tool will automatically identify development areas less than  
one acre as a FF for Warehouse due to the inability to maneuver large trucks. Other uses (i.e.  
large-scale retail) may also be a fatal flaw based on the amount of land available for  
development. Consider the acreage available for development when evaluating land use scores.

Does the remaining acreage available for development have a Fatal Flaw for any land use? (See  
Background Information: General Planning Considerations section of handbook.) Provide the rationale  
for assigning the Fatal Flaw in the cells noted. This will help others reviewing the information to  
understand the reasoning behind the decision.  
If a Fatal Flaw is indicated for any land use, a rationale should be provided.

<table>
<thead>
<tr>
<th>Land Use</th>
<th>FF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>Yes = FF</td>
</tr>
<tr>
<td>Commercial (professional/office)</td>
<td>Yes = FF</td>
</tr>
<tr>
<td>Retail</td>
<td>Yes = FF</td>
</tr>
<tr>
<td>Industrial</td>
<td>Yes = FF</td>
</tr>
<tr>
<td>Warehouse</td>
<td>Yes = FF</td>
</tr>
<tr>
<td>Hotel/Hospitality</td>
<td>Yes = FF</td>
</tr>
<tr>
<td>Mixed Use</td>
<td>Yes = FF</td>
</tr>
<tr>
<td>Energy</td>
<td>Yes = FF</td>
</tr>
<tr>
<td>Greenspace</td>
<td>Yes = FF</td>
</tr>
<tr>
<td>Government</td>
<td>Yes = FF</td>
</tr>
</tbody>
</table>

Property Improvements  
Building and property information is available from local property records, recorded deeds, assessor cards,  
and by visual observation. If buildings do exist on the property, it is important to understand their condition.  
Buildings in fair or poor condition could be costly to renovate or demolish. This information will be important  
in the financial feasibility section.
Buildings and Miscellaneous Structures
(all questions need to be answered for each existing building onsite)

Are there buildings or structures onsite?
How many buildings or structures are onsite? (Can enter up to 10)

For each building, enter the following information:
  Structure type/use
  Approximate structure size (SF)
  Number of floors
  Structure age
  Structure condition:  poor  fair  good  excellent
    If poor—requires demolition
    If fair—requires renovation

Does structure contain asbestos, lead paint, mercury containing light ballasts, other hazardous building components?
  If yes, enter estimated cost to abate.
  If unknown, an assessment should be performed to understand the hazardous building components that may require abatement. Consider that in 1978, the U.S. Consumer Product Safety Commission lowered the legal lead content in most paint to 0.06%, effectively banning the production of lead based paint. Buildings that were constructed before 1978 and have painted surfaces likely contain lead based paint. Also consider that asbestos was banned in most friable building materials in 1989. However, many other materials containing asbestos were not banned and may exist in buildings onsite. For more information, see http://www.epa.gov/asbestos/pubs/ban.html.

Number of existing parking spaces
Amount of existing parking area in SF

Are any of the existing buildings considered historic and/or eligible for historic tax credits?
  If unknown, research should be conducted to identify any available tax credits that may offset the cost of the site’s development.

2. Environmental
The purpose of this tab/section is to understand the potential impact of environmental conditions on the redevelopment of the property. This information may be available in property specific environmental assessments, as well as West Virginia Department of Environmental Protection records.

Has the property been assessed?
A fully characterized site should meet prospective purchaser due diligence requirements. If a property has not been assessed, it is a deterrent to a potential developer because an undefined risk exists that cannot be quantified by interested parties exists. (This risk negatively impacts all uses equally).

No  Skip this section
Yes  If yes, to what extent?
  Phase I
  Phase II/subsurface investigations
  Fully characterized (no additional testing/investigation is required)
Is there known environmental contamination? (Regardless of whether it has been fully addressed or not.)
   No    Skip this section
   Yes   If yes, respond to the following questions.

Has the contamination been addressed?
   No
   Partially
   Fully

Have land use restrictions resulted from this environmental condition or will land use restrictions likely result in the future?
   If yes, what uses are likely to be restricted on the useable acreage of the site? (Check all that apply.)

   Note: If a particular land use (such as residential) is likely to be prohibited based upon the cleanup standards, this is a “Fatal Flaw” associated with this land use and the selected land use is scored as FF.

Have groundwater restrictions resulted from this environmental condition or will groundwater restrictions likely result in the future?
   Yes = -1 residential, hotel/hospitality

Are vapors likely to be an issue related to new construction?
   Yes = -1 residential, commercial, retail, hotel/hospitality (engineered controls will add cost)

Are corrective measures likely to take more than five years?
   For redevelopment plans that extend far into the future, it is important to consider long-term trends, rather than current data. This should be considered when identifying reuse options.

3. Land Use Characteristics
   The purpose of this tab/section is to understand the characteristics and amenities of the subject property. Property characteristics and existing infrastructure often define its development potential. Certain characteristics attract particular types of development and developers. This information is generally available from town or county offices, including engineering, land use, and public works departments.

Utilities
   The location, accessibility, and capacity of utilities can have significant impact on the cost of development. In addition, certain land uses demand reliable and cost effective utility services.

   Is electricity available onsite?
      Yes = +1 all uses
      No   If not, how far away is the nearest electricity connection?
            <0.5 miles = 0 for all uses (feasible, but adds costs)
            >0.5 miles = -1 for all uses except greenspace (may be feasible, but costly)

   Are there opportunities for renewable energy production such as wind, solar, or water?
      Yes = +1 industrial, energy
Is public water available onsite?
Yes = +1 all uses
No
  If not, how far away is the nearest public water access?
    <0.5 miles = -1 for all uses (feasible, but adds costs)
    >0.5 miles = -2 for all uses except greenspace (may be feasible, but costly)
      = -1 for greenspace (distance to water limits some open space uses)

Unavailable in Community = -2 for all uses except greenspace
  = -1 for greenspace (lack of water limits some open space uses)
If public water is not available onsite or is unavailable in the community, is there potable well water onsite?
Yes = -1 for industrial and warehouse
  Industrial uses are often highly regulated on properties with active drinking water wells. Additional set backs are often applied and other design criteria applied. This, therefore, adds costs or decreases development.
  = +1 for residential, commercial (professional/office), retail, hotel/hospitality, mixed use, government
  = 0 for energy, greenspace, as potable water is not a major consideration
No = -1 for all uses except energy, greenspace, as digging a well adds significant costs

Are sanitary sewer connections available onsite?
Yes = +1 all uses
No
  If not, how far away is the nearest public water access?
    <0.5 miles = -1 for all uses (feasible, but adds costs)
    >0.5 miles = -2 for all uses except energy, greenspace (may be feasible, but costly to connect)
Unavailable in Community = -2 for all uses
  If sanitary sewer is unavailable in the community, is there an existing sanitary septic system onsite?
Yes = -1 for industrial and warehouse
  Industrial uses are often highly regulated on properties with sanitary septic and therefore decreases the property’s competitiveness in the market.
  = +1 for residential, commercial (professional/office), retail, mixed use, government, hotel/hospitality
  = 0 for energy, greenspace, as sanitary system is not a large consideration
No = -1 for all uses except energy, greenspace, as installing a septic system adds significant costs

Is cable, fiber optics, T1, or other digital service available onsite?
Yes = +1 all uses
No
  If not, how far away to nearest cable, fiber optics, T1, or other digital service connection?
    <0.5 miles = 0 for all uses (feasible, but adds costs or not applicable)
    >0.5 miles = -1 for residential, commercial (professional/office), industrial, hotel/hospitality (may be feasible, but costly)
What is the average per KWhr cost for electricity in all sectors in the area (reported in cents)?

Low energy costs attract business and industry to an area. The U.S. average cost per KWhr for electricity is 9.75 cents.

- < 8.75 cents = +1 commercial (professional/office), industrial, warehouse
- Between 8.75-10.75 cents = 0 all uses
- > 10.75 cents = -1 commercial (professional/office), industrial, warehouse = +1 energy

Zoning

Sites which are within areas designated as non-residential and protected from residential encroachment are more desirable for industrial and commercial land uses. Land uses which are supported by local and regional development plans minimize conflicts and attract investors and developers.

What is the current zoning on the property? (Enter name of zoning code)

Zoning definitions vary from community to community; be sure to read the local zoning regulations.

What are the allowable use(s) under the zone? (Check all that apply)

- Residential Yes = +1, No = -1
- Commercial (professional/office) Yes = +1, No = -1
- Retail Yes = +1, No = -1
- Industrial Yes = +1, No = -1
- Warehouse Yes = +1, No = -1
- Hotel/Hospitality Yes = +1, No = -1
- Mixed Use Yes = +1, No = -1
- Energy Yes = +1, No = -1
- Greenspace Yes = +1, No = -1
- Government Yes = +1, No = -1

A particular land use may (or may not) be currently allowed currently in a zone, but may be supported by the local community. Local economic development professionals, community organizations or land use committees may have identified potential uses for this particular property. If so, what future land uses are supported by the community at this site? (Check all that apply)

- Residential Yes = +1, No = -1
- Commercial (professional/office) Yes = +1, No = -1
- Retail Yes = +1, No = -1
- Industrial Yes = +1, No = -1
- Warehouse Yes = +1, No = -1
- Hotel/Hospitality Yes = +1, No = -1
- Mixed Use Yes = +1, No = -1
- Energy Yes = +1, No = -1
- Greenspace Yes = +1, No = -1
- Government Yes = +1, No = -1

Based upon your knowledge of land use policies and the community, should any use be designated as having a Fatal Flaw? (Check all that apply)

Land Use Controls may represent a Fatal Flaw if a site is not zoned for a particular use, not planned for that use, and it is unlikely the community would approve that use.
If a Fatal Flaw is indicated for any land use, a rationale should be provided. This will help others reviewing the information to understand the reasoning behind the decision.

<table>
<thead>
<tr>
<th>Land Use</th>
<th>FF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>FF</td>
</tr>
<tr>
<td>Commercial (professional/office)</td>
<td>FF</td>
</tr>
<tr>
<td>Retail</td>
<td>FF</td>
</tr>
<tr>
<td>Industrial</td>
<td>FF</td>
</tr>
<tr>
<td>Warehouse</td>
<td>FF</td>
</tr>
<tr>
<td>Hotel/Hospitality</td>
<td>FF</td>
</tr>
<tr>
<td>Mixed Use</td>
<td>FF</td>
</tr>
<tr>
<td>Energy</td>
<td>FF</td>
</tr>
<tr>
<td>Greenspace</td>
<td>FF</td>
</tr>
<tr>
<td>Government</td>
<td>FF</td>
</tr>
</tbody>
</table>

Maximum allowable lot coverage under local land use regulations (%)
(No score, this information should be considered when determining the redevelopment concept)

Floor to area ratio or maximum allowable height under local land use regulations (maximum number of stories)
(No score, this information should be considered when determining the redevelopment concept)

Required number of parking spaces per allowable use under local land use regulations
(No score, this information should be considered when determining the redevelopment concept)

Location:
Sites with direct, high quality road access are more valuable. For commercial and retail uses, visibility from major roadways is critical. Information may be obtained from the state Department of Transportation, local public works department, or visual observation.

Are access roads in good condition?
No = -1 commercial (professional/office), industrial, warehouse, hotel/hospitality

What traffic volume can access roads support?
Low = -1 commercial (professional/office), retail, industrial, hotel/hospitality, mixed use
= FF warehouse
Medium – High = 0
Extremely high = +1 commercial, retail, industrial, warehouse, mixed use
= -1 residential

Lack of access, visibility, or population nearby and especially low traffic counts are a Fatal Flaw for shopping center or big box retail. Smaller retail may be viable in some communities.

What is the daily traffic count on the primary access road?
(Consider this when determining size and scope of redevelopment options)

If <1,000 cars per day, this a Fatal Flaw for all types of retail
If <10,000 = -1 for retail, hotel/hospitality
If >20,000 = -1 residential
What is the daily traffic count at the nearest intersection?  
(Consider this when determining size and scope of redevelopment options)

What are the neighboring land uses? (Enter yes for those that apply)  
Residential = +1 residential; -1 for commercial, industrial, warehouse, energy  
Office or Retail = +1 mixed use  
Industrial = +1 industrial, warehouse, energy; -1 residential, mixed use  
Mixed Use = +1 hotel/hospitality

**Access and Visibility**
Sites located in proximity to interstate highway interchanges and major economic centers have more potential for development. Centrally located sites with multiple transportation options are also of higher value. Pedestrian friendly sites and properties with special amenities such as waterfront access have unique potential. This information is available from state and local geographic information system (GIS) mapping data or through visual observation.

Is the property centrally located in the community?  
No = -1 retail, hotel/hospitality, mixed use  
Yes = -1 industrial, warehouse, energy  
= +1 mixed use

Is property located on a major (multi-lane) roadway?  
Yes = -1 residential, greenspace  
Yes = +1 commercial, retail, mixed use

Is the property located at a major intersection?  
Yes = -1 residential, greenspace  
Yes = +1 commercial, retail, mixed use

What is the distance to an interstate?  
<0.25 mile = -1 residential  
0.25 – 1 mile = +1 commercial  
> 1 mile = FF warehouse

Lack of highway access is a **Fatal Flaw** for warehouse use.

Is property visible from major multi-lane roadway?  
Yes = +1 commercial, retail  
No = -1 retail

Is the property in proximity to passenger rail access?  
Yes = +1 commercial, mixed use

Does the property have cargo rail spurs onsite?  
Yes = +1 industrial, warehouse, energy

Is the property in proximity to cargo rail access?  
Yes = +1 industrial, warehouse, energy

Is public transportation available?  
Yes = +1 residential, commercial, mixed use

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The Land Use Decision Enhancer Tool and Handbook should not be used independently or as a primary reuse decision-making tool.  
Reuse and investment planning should be based on unique drivers, detailed valuation tools, and local knowledge of the site.
Can the public easily walk or bike to the property?
Yes $= +1$ residential, hotel/hospitality, mixed use, greenspace

Does the property border a navigable waterway?
Yes $= +1$ residential, industrial, mixed use, energy, greenspace

Does the property border an attractive waterway?
Yes $= +1$ residential, mixed use, hotel/hospitality, greenspace

4. Community
The information gathered in the community tab/section is intended to evaluate the role of this property within the community. Much of this information is subjective in nature and may not be reflected in statistical records. Community profiles created by local economic development agencies and chambers of commerce may include some of this information. This section is also an opportunity for the organization to provide anecdotal input on the community. Some of the answers will be used to score potential land uses and other questions provide an opportunity for you to reflect on the answers.

How would you describe your community?
- Struggling and declining in population $= -1$ residential, commercial (professional/office), retail
- Stagnant and in risk of declining $= -1$ residential
- Stable and healthy $= 0$ all uses
- Growing and dynamic $= +1$ all uses

How attractive is your community to developers?
- Developers never come into our community
- A few local developers look at our community each year
- Developers are regularly proposing new projects

Does the community have a comprehensive master plan?
If yes, what land use does the plan call for at this property?
Residential $= +1$
Commercial (professional/office)$= +1$
Retail $= +1$
Industrial $= +1$
Warehouse $= +1$
Hotel/Hospitality $= +1$
Greenspace $= +1$
Government $= +1$
Energy $= +1$

Are there unique economic drivers in the region?
If yes, what types of drivers?
- Abundance of natural resources $= +1$ industrial, greenspace
- Tourist destinations $= +1$ hotel/hospitality, greenspace
- Outdoor recreational resources $= +1$ hotel/hospitality
- Universities or colleges $= +1$ residential, commercial (professional/office), retail, mixed use
- Religious and/or other culture institutions $= +1$ residential, commercial (professional/office), retail
Major government presence = +1 residential, commercial (professional/office)
Major employers or employment sectors = +1 residential, commercial (professional/office), industrial

Does the community/region/state promote certain economic clusters?
If yes, for what type of activities?
- Professional/office = +1 commercial (professional/office)
- Retail = +1 retail
- Research and development = +1 commercial (professional/office), industrial
- Distribution and warehousing = +1 industrial, warehouse
- Arts and entertainment = +1 hotel/hospitality, mixed use
- Manufacturing = +1 industrial
- Energy = +1 industrial, energy

Do economic incentives exist for your community? These may be local, regional, or state-wide incentives.
If yes, for what type of activities?
- Professional/office = +1 commercial (professional/office)
- Retail = +1 retail
- Research and development = +1 commercial (professional/office), industrial
- Distribution and warehousing = +1 industrial, warehouse
- Arts and entertainment = +1 hotel/hospitality, mixed use
- Manufacturing = +1 industrial
- Energy = +1 industrial, energy

How far does a majority of the population travel to shop for everyday goods?
- In town
- Out of town 0-10 miles = +1 retail
- Out of town 10+ miles = +1 retail

How far does a majority of the population travel to shop for specialty purchases?
- In town
- Out of town 0-10 miles
- Out of town 10+ miles = +1 retail

How far does a majority of the population travel to work?
- In town
- Less than 10 miles from town
- Between 10 and 25 miles from town
- More than 25 miles from town = -1 retail

5. Demographics
The purpose of this tab/section is to understand the demographics of the local community and the metropolitan or micropolitan statistical area (MSA) in which it is located.

If the community is not located in a metropolitan or micropolitan statistical area, or there is insufficient data for the metropolitan or micropolitan statistical area, information should be collected on the closest metropolitan or micropolitan statistical area for which data is available and has a strong influence on the
local real estate market. Information for metropolitan or micropolitan statistical areas is available through the U.S. Census data and may also be available from local and regional agencies.

Other regional information may be available from regional planning agencies, county offices, chambers of commerce, and other organizations that operate on a regional basis. If metropolitan or micropolitan statistical area data is unavailable, other regional data may be used to compare the community with the broader region.

Sites which are within vibrant growing markets are the most desirable. Sites which offer specific features attractive to niche markets can be equally successful.

### Population
- What is the population of the town/city?
- What is the population of the MSA?
- How many households are in the town/city?
- How many households are in the MSA?

(Not scored, however these numbers should be considered when planning the redevelopment concept. Consider the population size and its attractiveness to retail, housing and other uses.)

### Population Age
- What is the median age of the town/city?
- What is the median age of the MSA?
- Is the elderly population larger than the population of children?

(Not scored, however if one sector of the population is dominant (i.e., elderly or children) this could present an opportunity for specific end uses such as elderly housing, medical offices, daycare, etc.)

### Population Change
- What was the population change of the town/city from 1990-2000?
  - Positive/growth = +1 all uses
  - Negative/decline = -1 all uses

- What is the estimated population change of the town/city from 2000-present?
  - Positive/growth = +1 all uses
  - Negative/decline = -1 all uses

- What was the population change of the MSA from 1990-2000?
  - Positive/growth = +1 all uses
  - Negative/decline = -1 all uses

- What is the estimated population change of the MSA from 2000-present?
  - Positive/growth = +1 all uses
  - Negative/decline = -1 all uses

- Have people been moving into the community in the past few years?
  - Yes = +1 all uses
  - No = -1 residential, retail
Educational Attainment

What percentage of the town/city population over 25 has a high school diploma?
What percentage of the town/city population over 25 has a college degree?

What percentage of the MSA population over 25 has a high school diploma?
What percentage of the MSA population over 25 has a college degree?

Are vocational schools and colleges located in the MSA?
Are vocational schools and colleges located in the MSA offering specialty degree programs?
Yes = +1 commercial (professional/office), industrial, warehouse

Consider the educational attainment levels: is there a large professional workforce?
Yes = +1 commercial (professional/office)

Consider the educational attainment levels: is there a large skilled or semi-skilled workforce?
Yes = +1 industrial

Employment

What is the size of the workforce in the town/city?
What is the current unemployment rate of the town/city?
What is the 10-year average unemployment rate of the town/city?

What is the size of the workforce in the MSA?
What is the current unemployment rate of the MSA?
What is the 10-year average unemployment rate of the MSA?

How far do people currently commute to work?

Consider the employment levels in the region and the typical distance people commute: is there available workforce (5% unemployment of greater)?
Yes = +1 commercial (professional/office), industrial, warehouse

Suitability and availability of workforce is a highly significant factor in the selection of new technology and service industries. Consider the employment levels in the region: is the current workforce suitable for technology and service industries?
Yes = +1 commercial (professional/office)

Income

What is the median household income in the town/city?
What was the change in median household income from 1990-2000 of the town/city?
What was the change in median household income from 2000-present of the town/city?

What is the median household income in the MSA?
What was the change in median household income from 1990-2000 of the MSA?
What was the change in median household income from 2000-present of the MSA?

What is the current per capita income of the town/city?
What was the change in per capita income from 1990-2000 of the town/city?
What was the change in per capita income from 2000-present of the town/city?
What is the current per capita income of the MSA?
What was the change in per capita income from 1990-2000 of the MSA?
What was the change in per capita income from 2000-present of the MSA?

Consider the income levels in the town/city: are income levels growing?
Yes = -1 industrial; +1 residential, commercial (professional/office), retail

Consider the income levels in the town/city: are income levels high for the area?
Yes = -1 commercial (professional/office), industrial; +1 residential, retail

Expenditures
What is the estimated disposable income of the town/city?
What is the estimated disposable income of the MSA?
What is the percentage of households that own their own home in the town/city?
What is the percentage of households that own their own home in the MSA?

Consider the spending habits indicated: do area residents have disposable income?
Yes = +1 residential, retail
No = -1 residential, retail

Employment Sectors
The following questions relate to the following basic employment sectors.
Government
Manufacturing
Wholesale/retail trade
Finance/professional and business
Education and healthcare
Leisure and hospitality
Other

How many major employers does the town/city have?
(Note: a single major employer may inappropriately skew employment data. Consider the number of major employers when reviewing the following data.)

What is the top employment sector in the town/city?
What is the second largest employment sector in the town/city?
What is the third largest employment sector in the town/city?

Consider the answers above: what are the fastest growing areas of employment in the town/city?
Government
Manufacturing Yes = +1 industrial
Wholesale/retail trade Yes = +1 retail
Finance/professional and business Yes = +1 commercial (professional/office)
Education and healthcare Yes = +1 commercial (professional/office)
Leisure and hospitality Yes = +1 hotel/hospitality
Other
Consider the answers above: what are the fastest *declining* areas of employment in the town/city?

- Government
- Manufacturing
- Wholesale/retail trade
- Finance/professional and business
- Education and healthcare
- Leisure and hospitality
- Other

Yes = -1 industrial
Yes = -1 retail
Yes = -1 commercial (professional/office)
Yes = -1 commercial (professional/office)
Yes = -1 hotel/hospitality

Looking at employment trends in the town/city, are there multiple sectors growing that would suggest a mixed-used development?

Yes = +1 mixed use
No = -1 mixed use

How many major employers does the MSA have?
(Note: a single major employer may inappropriately skew employment data. Consider the number of major employers when reviewing the following data.)

What is the top employment sector in the MSA?
What is the second largest employment sector in the MSA?
What is the third largest employment sector in the MSA?

Consider the answers above: what are the fastest *growing* areas of employment in the MSA?

- Government
- Manufacturing
- Wholesale/retail trade
- Finance/professional and business
- Education and healthcare
- Leisure and hospitality
- Other

Yes = +1 industrial
Yes = +1 retail, mixed use
Yes = +1 commercial (professional/office)
Yes = +1 commercial (professional/office)
Yes = +1 hotel/hospitality

Consider the answers above: what are the fastest *declining* areas of employment in the MSA?

- Government
- Manufacturing
- Wholesale/retail trade
- Finance/professional and business
- Education and healthcare
- Leisure and hospitality
- Other

Yes = -1 industrial
Yes = -1 retail, mixed use
Yes = -1 commercial (professional/office)
Yes = -1 commercial (professional/office)
Yes = -1 hotel/hospitality

Looking at employment trends in the MSA, are there multiple sectors growing that would suggest a mixed-used development?

Yes = +1 mixed use
No = -1 mixed use
Consider the information above, what sectors of the economy are vibrant and growing?

- Residential  Yes = +1
- Commercial (professional/office) Yes = +1
- Retail Yes = +1
- Industrial Yes = +1
- Energy Yes = +1
- Warehouse Yes = +1
- Mixed Use Yes = +1
- Hotel/Hospitality Yes = +1
- Government Yes = +1

Consider the information above and your knowledge of the local economy, should any of these sectors be completely avoided and therefore have a Fatal Flaw? If a Fatal Flaw is indicated for any land use, a rationale should be provided. This will help others reviewing the information to understand the reasoning behind the decision.

- Residential Yes = FF
- Commercial (professional/office) Yes = FF
- Retail Yes = FF
- Industrial Yes = FF
- Warehouse Yes = FF
- Hotel/Hospitality Yes = FF
- Mixed Use Yes = FF
- Energy Yes = FF
- Greenspace Yes = FF
- Government Yes = FF

6. Market Assessment

A score for each submarket has been captured in this tab/section. As previously stated, the purpose of this scoring is not to identify a single land use, but to highlight which land uses are strong and which land uses have weaknesses. The relative score can be evaluated against knowledge of the local real estate market to identify the land uses that present the greatest potential for success. These scores are not intended to be a ranking, but to help you identify uses for land that are more likely to be more successful than others. Land uses scoring within one or two points of each other have similar potential for success. Likewise, when land use scores vary substantially, the higher-scoring land uses have the highest potential for success.

The real estate market tab/section is intended to estimate the strength and value of the real estate market in the subject community. This information should be available from local real estate professionals in your community, as well as property assessors and appraisers. Private sources, such as CoStar and REIS, also track trends. The local economic development agency and chamber of commerce may also be a source of information.

**Raw Undeveloped land**

This information is helpful in understanding the value of land in your community. A high percentage of vacant land is an indicator of excess property and a highly competitive market.

- What is the average price per acre of residential land?
- What is the average price per acre of industrial land?
- What is the average price per acre of commercial land?
- What percentage of land in your community is vacant?
Residential Market (Computed Total Residential Score = ____)
This information is helpful in understanding the housing market, and whether it is in a growth, stagnant, or retracting stage. Consider whether excess product exists and the projects currently in development.

- How many homes currently exist in the community?
- How many new homes are currently permitted for construction?
- What is the median housing price?
- What is the median housing price trend (upward or downward)?

What is the foreclosure rate?
- What is the foreclosure trend (upward or downward)?
- What percentage of sales are distressed (foreclosures, short sales)?

- What is the average price per home (per SF)?
- What is the average number of days on the market?

- What is the median rental rate for a two bedroom unit?
- What is the vacancy rate for rental residential properties?
- What was the growth in housing construction in the last two years?
- What was the growth in housing construction between 2000-present?

Reflect on the information entered into the Decision Enhancer Tool up to this point.
Review the demographic information. Think carefully about the answers to the preceding questions, and answer the following:
Considering the score and the answers above, is housing a growing market?

Yes = +2, Neutral = 0, No = -1
Score feeds into computed score above

Commercial (Professional/Office) Market (Computed Total Commercial Score = ____)
This information is helpful in understanding the office market, and whether it is in a growth, stagnant, or retracting stage. Consider whether excess product exists and the projects currently in development.

- What is the total square footage of existing office space?
- What is the vacancy rate of existing office space?
- How much office space has been built in past two years (SF)?
- How much office space is currently under development (SF)?
- What is the average sale price for office space (per SF)?
- What percentage of office space is owner occupied?
- What is the average lease rate for office space (NNN, per SF)?

Reflect on the information entered into the Decision Enhancer Tool up to this point.
Review the demographic information. Think carefully about the answers to the preceding questions, and answer the following:
Considering the score and the answers above, is commercial (professional/office) a growing market?

Yes = +2, Neutral = 0, No = -1
Score feeds into computed score above
Retail Market
(Computed Total Retail Score = ____)
This information is helpful in understanding the retail market, and whether it is in a growth, stable, or retreating stage. Consider whether excess product exists and the projects currently in development.

What is the total square footage of existing retail space?
What is the vacancy rate of existing retail space?
What was the vacancy rate of existing retail space been between 2000-present?

How much retail space is currently under development (SF)?
How much retail space has been built in past two years (SF)?
How much retail space has been built between 2000-present (SF)?

What is the average sale price for retail space (per SF)?
What is the average lease rate for retail space (NNN, per SF)?

How much retail space is currently under development (SF)?
How much retail space has been built in past two years (SF)?
How much retail space has been built between 2000-present (SF)?

What is the average sale price for retail space (per SF)?
What is the average lease rate for retail space (NNN, per SF)?

Are there known retail demands in the market such as services residents must drive a long distance for, or niches that are not currently served?
Yes = +1 retail
Score feeds into computed score above

Reflect on the information entered into the Decision Enhancer Tool up to this point. Review the demographic information. Think carefully about the answers to the preceding questions, and answer the following:
Considering the score and the answers above, is retail a growing market?
Yes = +2, Neutral = 0, No = -1
Score feeds into computed score above

Industrial Market (excluding warehouse)
(Computed Total Industrial Score = ____)
This information is helpful in understanding the industrial market, and whether it is in a growth, stagnant, or retreating stage. Consider whether excess product exists and the projects currently in development.

What is the total square footage of existing industrial space?
What is the vacancy rate of existing industrial space?
How much industrial space has been built in past two years (SF)?
How much industrial space is currently under development (SF)?
What is the average sale price for industrial space (per SF)?
What percentage of industrial space is owner occupied?
What is the average lease rate for industrial space (NNN)?

Reflect on the information entered into the Decision Enhancer Tool up to this point. Review the demographic information. Think carefully about the answers to the preceding questions, and answer the following:
Considering the score and the answers above, is industrial a growing market?
Yes = +2, Neutral = 0, No = -1
Score feeds into computed score above
Warehouse Distribution Market
(Computed Land Use Score = ____)
This information is helpful in understanding the warehouse market, and whether it is in a growth, stagnant, or retracting stage. Consider whether excess product exists and the projects currently in development.

What is the total square footage of existing warehouse space?
What is the vacancy rate of existing warehouse space?
How much warehouse space has been built in past two years (SF)?
How much warehouse space is currently under development (SF)?
What is the average sale price for warehouse space (per SF)?
What percentage of warehouse space is owner occupied?
What is the average lease rate for warehouse space (NNN)?

Reflect on the information entered into the Decision Enhancer Tool up to this point.
Review the demographic information. Think carefully about the answers to the preceding questions, and answer the following:
Considering the score and the answers above, is warehouse a growing market?
Yes = +2, Neutral = 0, No = -1
Score feeds into computed score above

Hotel/Hospitality Market
(Computed Total Hotel Score = ____)
This information is helpful in understanding the hospitality market in the region, and whether it is in a growth, stagnant, or retracting stage. Consider whether excess product exists and the projects currently in development.

How many hotel rooms have been built in the past five years?
What is the occupancy rate of local hotels?
What is the average price per room at local hotels?

Reflect on the information entered into the Decision Enhancer Tool up to this point.
Review the demographic information. Think carefully about the answers to the preceding questions, and answer the following:
Considering the score and the answers above, is hotel/hospitality a growing market?
Yes = +2, Neutral = 0, No = -1
Score feeds into computed score above

Mixed Use
(Computed Total Mixed Use Score = ____)
Mixed use development is a real estate project with planned synergy among a combination of retail, office, residential, hotel, recreation, or other uses, and can include both large and small projects.

Is the property of sufficient size and layout for multiple uses?
Is there an existing building that could be occupied by more than one type of user?
Look at the scores for other land uses above: did more than one land use have a positive score? Are those land uses synergistic?
Does your community promote mixed use, pedestrian friendly, or transit oriented development?

Reflect on the information entered into the Decision Enhancer Tool up to this point.
Review the demographic information. Think carefully about the answers to the preceding questions, and answer the following:
Considering the score and the answers above, is a mixed use development possible?
Yes = +2, Neutral = 0, No = -1
Score feeds into computed score above
Energy Market

(Computed Total Energy Score = ____)

This information is helpful in understanding whether this property has unique potential for power generation or other related energy uses.

Is this property in proximity to the electric grid?
Is there a substation onsite?
Are there renewable natural resources, such as wind or water, in proximity?
Is there demand for new power generation?
Is there local support for the development of energy facilities?

Reflect on the information entered into the Decision Enhancer Tool up to this point.
Review the demographic information. Think carefully about the answers to the preceding questions, and answer the following:
Considering the score and the answers above, is power generation a potential market?
Yes = +2, Neutral = 0, No = -1
Score feeds into computed score above

Greenspace

(Computed Total Greenspace Score = ____)

Greenspace can incorporate both active and passive recreation options, as well as ecological preservation and conservation.

Does this property contain high quality ecological features or habitats?
Is there a need or demand for open space in your community?
Is there a need for passive and active recreation venues?
Does the property have a greater value to the community as open space than developed?

Reflect on the information entered into the Decision Enhancer Tool up to this point.
Review the demographic information. Think carefully about the answers to the preceding questions, and answer the following:
Considering the score and the answers above, is greenspace a viable use for this property?
Yes = +2, Neutral = 0, No = -1
Score feeds into computed score above

Government

(Computed Total Government Score = ____)

Growing communities often need additional land for libraries, schools, community centers, and other government building. County and state governments may also have land acquisition requirements.

Is there a known need for new government facilities?
Is there a long-term plan that calls for new government facilities?
Is this property in a location suitable for government use?

Reflect on the information entered into the Decision Enhancer Tool up to this point.
Review the demographic information. Think carefully about the answers to the preceding questions, and answer the following:
Considering the score and the answers above, is governmental use appropriate?
Yes = +2, Neutral = 0, No = -1
Score feeds into computed score above
7. Decision Enhancer Summary

Congratulations! You have completed data entry for the Decision Enhancer Tool.

The Decision Enhancer Summary Tab summarizes the data inputs and results of the Decision Enhancer Tool by pulling in key data from other tabs in the workbook. **No data entry is required.** This summary report displays composite scores for the ten potential reuse categories, and identifies reuse options that have a Fatal Flaw. You can easily review key site data with this report, use this tab as summary document to evaluate your sites, and use this report to present high-level Decision Enhancer data to developers.

The following key data points are displayed on the Decision Enhancer Summary Report:
- Address
  - Town, State
  - Point of contact
  - Phone number
- Property size
- Developable acreage
- Maximum allowable lot coverage
- Floor to area ratio (FAR)
- Maximum building height
- Number of buildings/structures onsite
- Total square footage of buildings/structures onsite
- Has the property been assessed?
- Is there known contamination?
- Estimated remediation cost
- Is there public water onsite?
- Is there sanitary sewer onsite?
- Current zoning
- Are access roads in good condition?
- Is the property centrally located?
- Is the property in proximity to passenger rail access?
- Is the property in proximity to cargo rail access?
- Does the property border a navigable waterway?
- Town/city population
- How would you describe your community?
- Are there unique economic drivers in the region?
- Do economic incentives exist for your community?
- What are the fastest growing areas of employment in the town/city?
- What are the fastest declining areas of employment in the town/city?
- What sectors are vibrant and growing?
- Is there a large professional workforce?
- Is there a large skilled or semi-skilled workforce?
- Current unemployment rate of the town/city
Reuse Summary

*Uses that may be viable at the site:* A summary of the real estate market scores for land uses that do have a Fatal Flaw is provided. This list represents land uses that may be viable at the site, and reports the final score for each real estate product.

Interpreting Scores: Land use scores can vary from a negative number (e.g., -5) to a positive number as high as 40. The values depend on whether or not all questions are answered, as well as the answers themselves. These scores are not intended to be a ranking, but to help you identify uses for land that are likely to be more successful than others. Land uses scores within one or two points of each other have similar potential for success. Likewise, when land use scores vary substantially, the higher-scoring land uses have the highest potential for success.

*Uses that may not be viable at the site and the rationale behind the Fatal Flaw designation:* A summary of the real estate markets that were identified as having a Fatal Flaw, and the rationale provided for the Fatal Flaw designation. In some cases, the Decision Enhancer Tool designates a Fatal Flaw based on the scoring built into the tool and described in this document. For these Fatal Flaw designations, a rationale may not be provided.

**Most importantly, this summary report provides you with an opportunity to step back, take a breath, and reflect on the information you have collected.** You’ve done a lot of work – now it’s time to think about what it means.

- Are there any data gaps showing on the summary report? If so, start thinking about where you can find that important data.
- What does the data say to you? Based on all the data you collected and input into the Decision Enhancer Tool, do the land use scores make sense? Are they in line with your early concepts for the site?
- Take a look at all seven Decision Enhancer Tool tabs. Are there any data conflicts? Do the responses to the subjective questions make intuitive sense based on the available data?
- Reviewing the Decision Enhancer Summary, do see any reuse options that have scores that are much higher or lower than other land use scores (e.g., outliers)? Or are there multiple land use options with similar scores, indicating that one or more uses may be viable at the site relative to other land uses?

You should be comfortable with all of the information collected in the Decision Enhancer Tool before moving on to the next stage of the site redevelopment process, the Redevelopment Planning Exercise.
Redevelopment Planning Exercise

The Land Use Decision Enhancer Tool identified potentially viable land uses for the subject property. In addition, the Decision Enhancer Tool helped identify key property, demographic, and market information necessary to determine the size and scope of a redevelopment. With this information, communities need to consider the potential land use options and develop a conceptual site plan which identifies the size, scope, and characteristics of a potential development. Each conceptual site plan should identify proposed buildings, pedestrian and vehicular circulation patterns, and parking needs. Consideration should be given to the type and square footage of new buildings and required parking.

NOTE: The redevelopment planning exercise is not a formal part of this Land Use Decision Enhancer Tool handbook and Excel Worksheet. It should be done independently by the community. The assistance of planning, land use, legal, financial, and technical professionals is recommended for this exercise.

The redevelopment planning exercise to generate a conceptual site plan should take into account the following:

Consider the property
- Maximum acreage/area available for development
- Maximum lot coverage allowed
- Maximum height and floor to area ratios allowed by zoning
- Required setbacks
- Required parking

Consider controls on the use of property
- Land Use
- Environmental

Consider existing buildings (if applicable)
- Condition
- Potential reuses

Consider the market and its drivers
- Who will occupy this space and what will they pay?
- Maximized density may exceed demand
- Property location, accessibility, and visibility
- Available workforce
- Energy costs

Consider the location of the property
- Is the development in keeping with the environmental setting, making maximum use of natural assets and controlling any contamination issues?

Is there an opportunity to incorporate green and sustainable development principles that could help the project be more competitive in the marketplace?
Financial Feasibility Analysis: Pro Forma

Once a redevelopment concept has been created, it is important to determine its financial feasibility. A pro forma is a spreadsheet analysis to determine the potential feasibility of a real estate project. The preparation of a pro forma is an iterative process that should be refined as additional information becomes available. It is recommended that multiple reuse scenarios, or concepts, be evaluated for financial feasibility. A pro forma can be used to run multiple scenarios of viable reuse alternatives, including the following land uses:

- Residential
- Commercial (professional/office)
- Retail
- Industrial
- Warehouse Distribution
- Mixed Use Development

A pro forma can be used to assess how a developer might look at various redevelopment scenarios and determine on an initial basis, whether the property is potentially developable with or without public subsidy. The major goal of preparing a pro forma is to gather and analyze underlying redevelopment and environmental cost data and revenues involved in purchasing and developing the property. There are a variety of ways that a pro forma could potentially help guide the site evaluation process. Some examples include:

- A municipality can assess whether a desired reuse(s) is realistic assuming the property is free of contamination. This “best case” scenario will provide a baseline for estimating the minimum amount of public incentives or other assistance that might be needed to make the property marketable for specific land uses. Based on that analysis, the municipality can begin to make some judgment as to whether certain reuse options are impractical.

- If remediation cost estimates have been generated, the pro forma worksheet can be used to preliminarily evaluate how cleanup alternatives could affect the costs and profitability of future reuses, should those costs be passed on to the developer of the property. The pro forma can also reflect the costs and opportunities of a “green” or environmentally high performance project.

- Where cleanup has already occurred, the financial analysis can take into account the associated costs that could be passed onto the future property owner, such as operation and maintenance costs, settlement of environmental liens, and any costs to modify to the existing cleanup if necessary to accommodate a proposed reuse.

- The added interest costs resulting from protracted delays in construction, rehabilitation, and remediation activities can be estimated.

- The impact of parceling the property under different scenarios can be evaluated. For example, the revenue generated by selling off a portion of the property can be used to finance cleanup or property improvements on other portions of the property. This source of revenue can then be factored into the financial analysis of those remaining portions.

- Municipalities are often interested in the revenues that they would receive from a project. A pro forma normally indicates the real estate taxes that will be paid as an operating cost of the project, and permit fees as a development cost. Retail rents generally reflect sales volume and can be interpolated to calculate sales tax revenue. If tax abatements or tax increment financing are utilized these need to be calculated based upon the laws in each state.

A pro forma analysis can range from a very simplified approach to one that is very detailed and evaluates complex factors. The pro forma provided in this Land Use Decision Enhancer Tool is a simplified or “back-of-the
envelope” version of a pro forma that allows communities to quickly evaluate the viability of a reuse option on a site. It is not the in-depth analysis needed for complex projects and to make investment decisions. While this simplified pro forma worksheet does not substitute for a detailed financial analysis, it can help municipal officials and communities gain an understanding of the interplay of costs and revenues, evaluate different redevelopment scenarios, and see how various factors could impact alternatives. Only issues that can be quantified to a specific cost can be calculated as part of a pro forma. Any ‘unquantifiable risk’ will likely require special treatment as part of the redevelopment process.

It is important to understand and evaluate all assumptions included in the analysis, particularly those that can dramatically affect results. For example, a small change in projected income that is capitalized to calculate a value for a property can cause the project to become upside-down and less viable. The assumptions built into or underlying the financial analysis include costs such as construction costs, soft costs (e.g., design, legal), financing costs (e.g., interest), and cleanup costs; operating costs can also strongly impact the projected profit.

The pro forma worksheet will provide an estimate of profitability, but individual developers and investors will have their own view on an acceptable return on investment that reflects project risk. Generally, higher project risk carries the expectation of higher potential returns. Also, just because the project appears to be marginally profitable, does not necessarily mean that developers will be willing to risk acquiring and redeveloping the property. Keep in mind that the rate of return in this pro forma worksheet does not reflect the number of years the project will take. Developers, investors, and lenders use a variety of tools such as market analysis, feasibility studies, discounted cash flow analyses that reflect the time value of money and provide an internal rate of return, highest and best use studies, and other investment-related information to determine the viability of a project.

Used appropriately, the pro forma worksheet can be a useful tool for developing a preliminary understanding of those factors that are likely to influence the marketability of a property. These worksheets can be used to roughly evaluate the financial feasibility of different reuse scenarios (e.g., 10,000 SF of retail vs. 6,000 SF of retail; 10,000 SF of retail vs. 10,000 SF of residential). The tool is designed for you to change assumptions related to expected vacancy, lease rates, construction costs, and amount of square footage to be developed in order to identify relatively more marketable reuse options for a site.

As noted above, however, it is important to understand the limitations of the pro forma worksheet developed for the Focus WV Brownfields Mini Grant Program.

A. Pro Forma Data Inputs
The following information is needed to complete the pro forma data presented in the accompanying Excel Workbook. These are the assumptions that will be used to evaluate the financial feasibility of redevelopment scenarios. Some of these data inputs are also inputs in the Decision Enhancer Tool and will automatically feed into the pro forma assumptions tab. However, if this data is not entered on the preceding Land UseDecision Enhancer Tool tabs, it will need to be added to ensure the pro forma works correctly. Any additional information that was not collected in the Land Use Decision Enhancer Tool tabs must be collected and input into the Excel Workbook as directed below. This process will ensure that all redevelopment scenarios are analyzed using the same assumptions and criteria.

The following data is required to run the pro forma.
Site Cleanup

These costs may be defined already as part of the cleanup plan or they may need to be estimated. Enter all environmental cleanup costs in this section, using the lines provided.

- Estimated cost of building abatement ($)
  Data is pulled in from the buildings/structures data entered on lines 65-74 of the 1. Property tab. If you need to add an estimated cost for building abatement, do so on the 1. Property tab. This cost represents the estimated cost for abatement of hazardous building materials (i.e., asbestos, lead paint), if applicable prior to renovation or demolition.

- Estimated cost of soil remediation ($)
- Estimated cost of groundwater remediation ($)
- Estimated cost of other remediation ($)
  Remediation cost is automatically calculated

- Ongoing remediation (operation and maintenance (O&M)) cost per year ($)
- Annual premium for environmental insurance (if required) ($)

Construction Costs

These costs should represent current average construction costs in the region. These may be obtained from local general contractors. Renovation costs should include all interior tear-out, mechanical/electrical system retrofits, and building renovations. New construction costs should include site clearing and preparation, foundation work, structural and exterior work, mechanicals, and interior finishing.

**NOTE: You only need to enter construction cost data for the reuse option you are interested in evaluating for this site.** For example, if you want to evaluate the financial feasibility of a residential development, only enter the relevant residential data. Land use options with a fatal flaw are noted on this tab to help you avoid entering unneeded data.

- Demolition of buildings/structures ($ per SF)
  If any existing buildings/structures need to be demolished for your reuse scenario, enter the estimated cost per square foot for demolition.

- Demolition of concrete pads/parking ($ per SF)
  If any existing concrete pads/parking need to be demolished for your reuse scenario, enter the estimated cost per square foot for demolition.

Building Reuse-Renovation

Estimating the cost to reuse or renovate existing buildings can be more complicated than estimating costs for new construction. Costs can include demolition or partial demolition with renovations. These projects generally have more unknown or hidden costs and are therefore riskier. (Note: asbestos removal and similar hazardous abatement costs are accounted for earlier in the pro forma.)

If any existing buildings will be reused and/or renovated for your reuse scenario, enter the estimated average cost per SF ($) to renovate or reuse the appropriate real estate product. **If a real estate product is identified in previous workbook sections as having a Fatal Flaw and will be an Unviable Use at the site, the pro forma tab will display this information and data does not have to be entered for that real estate product.**
Residential
Commercial (professional/office)
Retail
Industrial
Warehouse
Hotel/Hospitality

Mixed use developments are made up of multiple real estate products. Renovation costs are based upon the costs per SF for each building type.

New Construction
Estimate the cost for construction of each real estate product on a square foot basis ($ per SF). New construction costs should include site clearing and preparation, foundation work, structural and exterior work, mechanicals, and interior finishing.

Enter the cost per SF ($) to build each real estate product for your reuse scenario. If a real estate product is identified in previous workbook sections as having a Fatal Flaw and will be an Unviable Use at the site, the pro forma tab will display this information and data does not have to be entered for that real estate product.

Residential
Commercial (professional/office)
Retail
Industrial
Warehouse
Hotel/Hospitality

Mixes use developments are made up of multiple real estate products. Construction costs are based upon the costs per SF for each building type.

Parking
Enter the cost to build one parking spot including all preparation, sub materials, and pavement.

Soft Costs
Soft costs are calculated as a percentage of hard costs. Additional due diligence is required on brownfield revitalization projects, thus there may be more investigative costs. These can include: reuse analysis, negotiating access rights, and project visioning. By this point in the overall evaluation process, some of these soft costs and remedial action costs have been incurred, thus estimating 20% for soft costs overall for the developer is not an unreasonable estimate.

Soft costs for all standard development projects include site plans, engineering, legal, soil testing, architectural plans, and marketing plans. A detailed breakdown between disciplines is not needed in the pro forma at this point.

Data already entered: estimated at 20% of hard costs. This is a generally accepted figure with the industry. If mitigating factors related to the redevelopment scenario exists, adjust this figure as needed.

Carrying Costs
Carrying costs represent interest calculated on cash invested or borrowed for development of the property. Interest on the initial purchase will be calculated from the date of transfer, whereas interest on development is calculated based on an average over time. The interest rate should reflect current rates with some adjustment based on the overall risk of the project.
Also consider: what are the sources of financing? Who is going to cover the costs, especially the earlier costs? How much cash will be needed to promote redevelopment and who will bear the burden of this cost? Will the financing come from conventional sources (such as banks, insurance companies) and how much must come from government programs, loans, tax credits, or subsidies? Can any funds be obtained from foundations or other non-conventional sources. There may be different levels of financing in different phases. Ensure that these questions are considered.

Period (months)
Data already entered: estimated at 24 months. **If the redevelopment scenario will be completed on a schedule substantially different from this, adjust this figure as needed.**

Interest Rate (%)
Interest rate on construction financing
Note that construction loan funds are only utilized (drawn down) as the project proceeds.
Caution: Interest rates can vary substantially depending on economic factors and financial markets. Be sure to use a typical interest rate, especially on projects that are likely to occur some time in the future. Using a rate that is artificially low due to short-term economic variables may result in an unreasonably optimistic financial pro forma.

**Income**
A key analysis of the financial viability of a revitalization project is determining the end value based upon anticipated revenue stream. Rent can be estimated per square foot for many products, while residential and hotel/hospitality developments are often estimated per unit (e.g., two-bedroom apartment, hotel room). Data should be entered as triple net lease rates (NNN rates); this is a type of net lease in which the tenant pays all or part of the utilities, taxes, insurance, and maintenance associated with use of the property in addition to the tenant's regular monthly rent.

Average lease rate in the area for each real estate product for your reuse scenario (NNN on a per SF basis). **If a real estate product is identified in previous workbook sections as having a Fatal Flaw and will be an Unviable Use at the site, the pro forma tab will display this information and data does not have to be entered for that real estate product.**

- Residential (rent per two-bedroom apartment per month, $)
- Commercial (professional/office) ($ per SF, NNN)
- Retail ($ per SF, NNN)
- Industrial ($ per SF, NNN)
- Warehouse ($ per SF, NNN)
- Hotel/Hospitality (rate per room per night, $)

Mixes use developments are made up of multiple land uses. Income is based upon the lease rates for each land use component of the development.
Vacancy Rate (%)

Vacancy rates are used to estimate the amount of income that can be generated for each real estate product for your reuse scenario. Vacancy rates should be identified by building type based on local market conditions as well as type of tenants anticipated for your reuse scenario. The vacancy rate should reflect, on average, the amount of square footage of each type of real estate product that is vacant each year. For example, entering a 10% vacancy rate for commercial (professional/office) space here does not mean your community currently has a 10% vacancy, but instead means that for your reuse scenario, you reasonably expect that up to 10% of the leasable space will not be occupied over the duration of year. This could mean that 10% of the space is vacant all year long, or that 50% of the space is vacant for two and a half months of the year.

*If a real estate product is identified in previous workbook sections as having a Fatal Flaw and will be an Unviable Use at the site, the pro forma tab will display this information and data does not have to be entered for that real estate product.*

- Residential
- Commercial (professional/office)
- Retail
- Industrial
- Warehouse
- Hotel/Hospitality

Careful consideration should be given to hotel vacancy rates. Consideration should be given to the hotel’s business model and target market. For example, a hotel targeting summer vacationers may have a vacancy rate of 1% in the summer, but a 70% vacancy rate in the winter. Hotels catering to the business community may have higher vacancy rates on the weekend than during the work week. The hotel vacancy rate should encompass the overall average number of unoccupied rooms on an annual basis.

Mixed use developments are made up of multiple land uses. Vacancy rates are based upon the vacancy rates for each land use component of the development.

Capitalization Rate (%)

The capitalization rate (or cap rate) is used to calculate a rough project valuation. The value of the reuse scenario to a developer is roughly estimated as a function of the income that can be expected to be generated from the property, the risk associated with that income, and the income's expected future rate of growth. The expected income generation is estimated in the pro forma tool through assumptions associated with leasing. The risk and expected rate of income growth are embedded in the cap rate.

A slight change in the cap rate can substantially impact the project’s value and the profitability of the development. Consult with industry professionals or see the “Background Information: General Planning Considerations” section of this handbook for guidance (pages 3-4).

Based upon the information you gather, enter the cap rate most applicable to the redevelopment scenario.

B. **Pro Forma Tool**

The final tab in the Excel Workbook is “B. Pro Forma Tool”. This tab calculates the financial feasibility of the redevelopment scenario, based on the cost and income data entered on the “A. Pro Forma Data Inputs” tab. The data inputs required for the “B. Pro Forma Tool” tab are data points that may be more flexible and can be changed to evaluate different scenarios to identify which redevelopment concept(s) may be financial feasible.

The following data is required to run the *pro forma.*
**Purchase Price**
This is the price the municipality will charge a developer for the property, or the price/costs that the municipality incurred obtaining ownership. This can be the offered sales price, a negotiated amount, or it may be based on an appraisal. It is also possible that the underlying land title will not change, thus there may be no purchase price and this cell will be zero. In addition, liens or defaults may exist which need to be remedied.

**Remediation Costs for Project**
The total estimated cost of building abatement (hazardous materials), and soil, groundwater, and other remediation automatically populate from the "A. Pro Forma Data Inputs" tab. You may adjust these costs to reflect anticipated discounts available from incentive programs or other sources of funding for remediation by entering the *amount of the discount* in the cell labeled “Remediation costs paid for through incentives or other programs.”

Adjusted remediation cost will automatically calculate

**Hard Costs/Construction Costs based on Redevelopment Concept**
Existing building square footage
Data linked from the “1. Property” tab – *no data entry required*
Total building square footage is automatically calculated

*This section of the pro forma is based upon the results of the redevelopment exercise. This is where you can enter the amount of building space that will be renovated or constructed for the selected reuse concept.*

**Building Reuse-Renovation**
Estimating the cost to reuse or renovate existing buildings can be more complicated than estimating costs for new construction. Costs can include demolition or partial demolition with renovations. These projects generally have more unknown or hidden costs and are therefore riskier. Asbestos removal and other preparation may be required.

The square footage of existing buildings/structures and parking onsite has been provided as a reference in the spreadsheet on lines 17-26.

Enter the estimated number of SF that will be renovated to create each real estate product; if zero, leave blank.
- Residential*
- Commercial (professional/office)
- Retail
- Industrial
- Warehouse
- Hotel/Hospitality*

* For residential and hotel/hospitality, also enter the estimated number of units that will be renovated (two-bedroom apartments, hotel rooms).

Mixes use developments are made up of multiple real estate products. If applicable, enter the amount of square feet of space per real estate product according to the mixed use scenario.

**New Construction**
Enter the total square footage of existing buildings/structures that will be demolished for new construction in the selected redevelopment concept (SF). Refer to the Existing Building Summary data provided above for an estimate of the existing square footage.
Enter the total square footage of concrete pads or parking that will be demolished for new construction in the selected redevelopment concept (SF).

Estimate the square feet of new space to be constructed for each real estate product and enter on the appropriate line. Leave unused building categories blank or delete those lines.

*If a real estate product is identified in previous workbook sections as having a Fatal Flaw and will be an Unviable Use at the site, the pro forma tab will display this information and data does not have to be entered for that real estate product.*

- Residential*
- Commercial (professional/office)
- Retail
- Industrial
- Warehouse
- Hotel/Hospitality*

* For residential and hotel/hospitality, also enter the estimated number of units that will be built (two-bedroom apartments, hotel rooms).

Mixes use developments are made up of multiple real estate products. If applicable, enter the amount of square feet of space per real estate product according to the mixed use scenario.

Parking
Enter the number of parking spots that will be built. Refer to the “Required number of parking spaces per allowable use” on the “3. Land Use Characteristics” tab.

**Soft Costs**
This section of the pro forma will automatically calculate based upon data previously entered.

**Carrying Costs**
This section of the pro forma will automatically calculate based upon data previously entered.

**Total Development Cost**
This section of the pro forma will automatically calculate based upon data previously entered.

**Adjusted Net Operating Income**
This section of the pro forma will automatically calculate income generated by the development based upon the building size, cost, and income information previously entered.

Net annual operating income will be calculated to, then be reduced by a **vacancy value** that is automatically calculated based upon the average vacancy rates for each real estate product developed. The net annual operating income will be further reduced by the annual cost for long-term operations and maintenance of ongoing remediation and associated environmental insurance. The adjustments will generate the **Adjusted Net Operating Income** for the redevelopment scenario.

**Project Value, Profit, and Cash on Cash Return**
The **project value** is a function of the income that can be expected to be generated from the property, the risk associated with that income, and the income’s expected future rate of growth. The project value represents the present worth of the reuse scenario’s anticipated future income stream. It is calculated by dividing the adjusted net operating income by the capitalization rate.
The potential **Profit** related to your reuse scenario is calculated by subtracting the total development cost from the project value. The possible **Cash on Cash Return** is calculated by dividing profit by the total development cost.

It is important to consider that the private development market expects to make a reasonable return on investment in order to take on the substantial risks associated with real estate development. A double-digit return on investment is generally expected by the private development market. On high risk projects, developers will generally seek a return on investment upwards of 20% or greater.
Glossary of Terms

**Capitalization**

The ratio between an income stream and value. The “cap rate” is expressed as a percentage and is also the return on investment that the investor will receive back each year as income of the property. It is the calculation used to derive the property value from the income stream. The formula is below, and you can solve for any figure if you have the other two:

\[
\text{Capitalization Rate} = \frac{\text{Net Operating Income}}{\text{Value}}
\]

**Capitalized Value**

The value of an asset derived from the income stream; dividing the net income by an appropriate capitalization rate.

**Carry Costs**

Cost of financing, and is largely determined by the rate of interest.

**Cash Flow (After Debt Service):** Income less operating expenses and mortgage payments, sometimes referred to as free and clear income.

**Floor Area Ratio**

The relationship between the usable floor area of a building, as determined by the building code, and the area of the land on which it stands. Often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

**Gross Income**

The gross rents received from tenants, before vacancy and operating costs are deducted.

**Gross Lease**

Rents to landlord include the passed-through costs of shared operating costs such as common space maintenance, management, real estate taxes, and insurance. Commonly used in office buildings (in this course, net rents are used to simplify calculations).

**Hard Costs**

The cost of labor and materials to construct a property.

**Internal Rate of Return (IRR)**

The IRR is the annualized effective compounded return rate which can be earned on the invested capital, i.e., the yield on the investment, over the entire time the property is owned. Calculated using a Discounted Cash Flow analysis that takes into account the value of funds invested and borrowed over time. The IRR reflects interest rates and includes calculations for increased operating costs, lease turnover and changes, plus the anticipated sale of the property at the end of a five or ten year analysis period. (Not utilized in this course, but frequently used for major projects.)

**Leverage**

The use of borrowed funds; to either acquire or mortgage a property. Leverage can increase profitability and purchasing power, but also increases risk.

**Net Lease**

A lease where in addition to a base rent, the lessee directly pays operating costs such as utilities, insurance, and real estate taxes.

**NNN Lease**

**Triple Net Lease** is a type of net lease in which the tenant pays all or part of the utilities, taxes, insurance, and maintenance associated with use of the property. These fees are paid in addition to the tenant's regular monthly rent.
Net Operating Income  Income less *operating* expenses but not debt service or depreciation, can be capitalized to determine asset value.

Operating Expenses  Those costs associated with operating a property. For example; utilities, taxes, payroll, repairs, etc. Operating expenses do not include capital expenditures such as a new roof, new boiler, etc.

**SF**  Square feet

Soft Costs  Those development costs not part of the actual labor or materials to create the property. For example, professional fees (i.e., architects, accountants, attorneys, brokers, etc.) are typical soft costs. Sometimes, developers will also include "Carry Costs" or the cost of financing in this category.

Tax (Before or After)  Returns on investments can be calculated before or after income tax implications, including depreciation. (All calculations in this tool are before tax.)