



A NEW TOOLKIT: THE RURAL DEVELOPMENT PRO FORMA

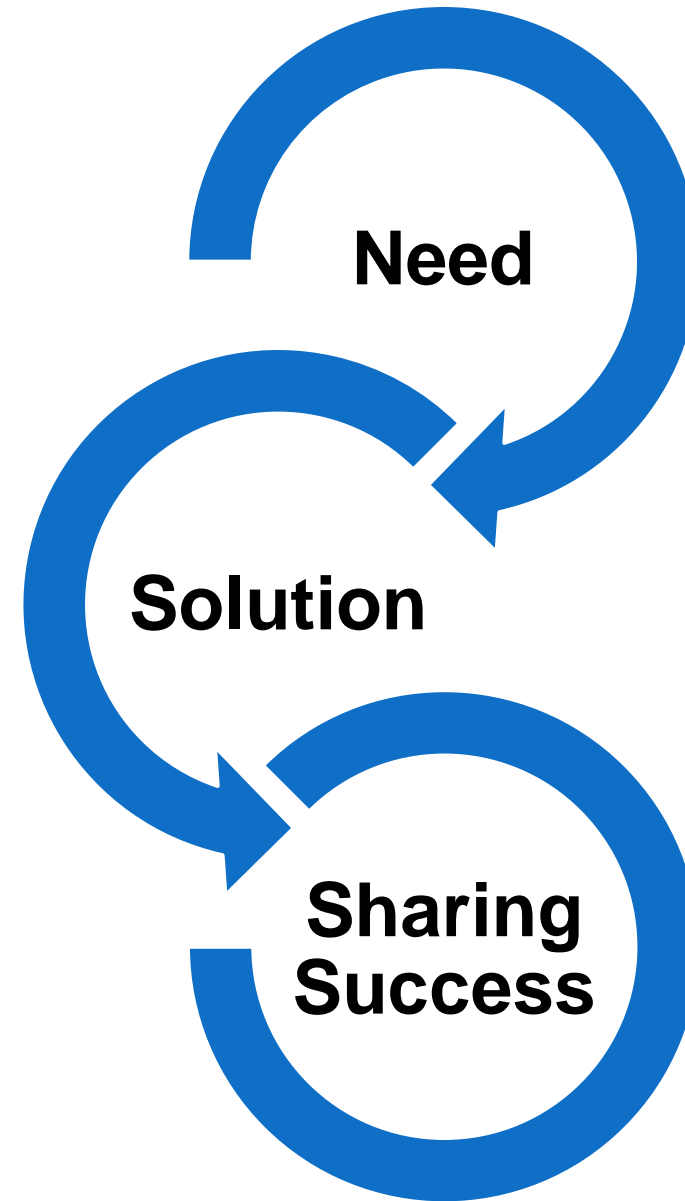
Case Study from the Village of Portland

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Agenda

- The Challenge
- Portland Harbour Vision
- The Pro Forma Tool in Action
- How to Get Your Own Copy



The Challenge

- Municipal challenges: growing demands, high costs of renewal, limited borrowing
- Path forward needed on strategic investments:
 - Synergies, financial implications
 - Lots of opinion, not a lot of analysis
 - Limited technical expertise (“institutional capacity”)
- Private sector and a few large municipalities use financial analysis tools
 - Not widely used by small/rural municipalities

Learning from Hamilton Bayfront

- Major private sector investment needed
- Hamilton built a pro forma: Bayfront was not “investment ready”
- Strategic municipal investments needed: due diligence and infrastructure
- **Many similarities – could we scale down & use for Portland?**



Figure 2: Potential Opportunities for Public Realm and Urban Design Improvements



Our Journey

- Develop and apply a pro forma financial analysis for the Portland Harbour vision:
 - harbour investments, streetscape, and municipal building
- Make the results and tool widely available
- **Today:** explore the case study and pro forma, what it told us, and how you can use it

A PUBLIC WATERFRONT

A vision for Portland Harbour



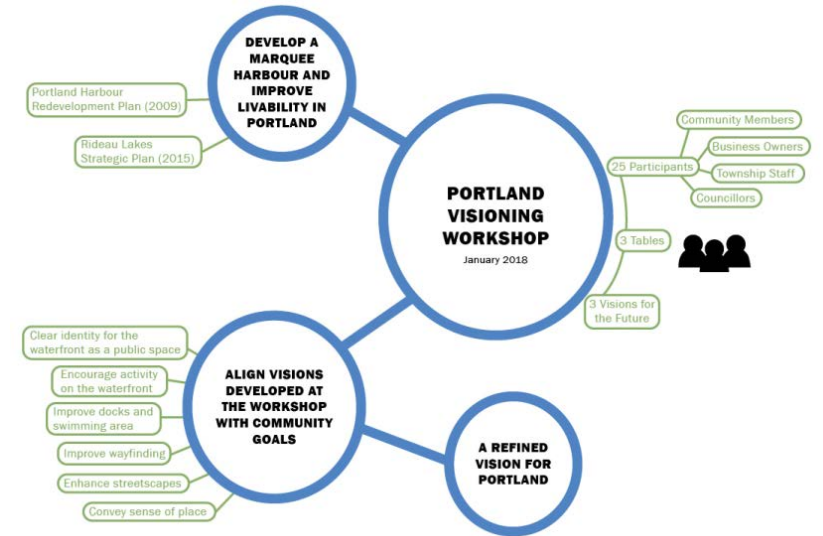
PORTLAND & THE VISION

Moving forward with economic development



About Portland

- Village in Township of Rideau Lakes
- Strategic location: on UNESCO Rideau Canal
- **Economic development potential not fully realized**
- Opportunity to catalyze municipal facilities and private development
 - Needed flexibility to look at options
- Dust off past vision & build momentum from Council and public



Scenario 1 – Community Hall Site

- Site Extent:
 - Current Community Hall Site
 - Municipal Parking Lot on Campbell Street
 - Playground and Clothing Co-op
 - Hanna Park
 - Privately-owned properties along north side of Water Street



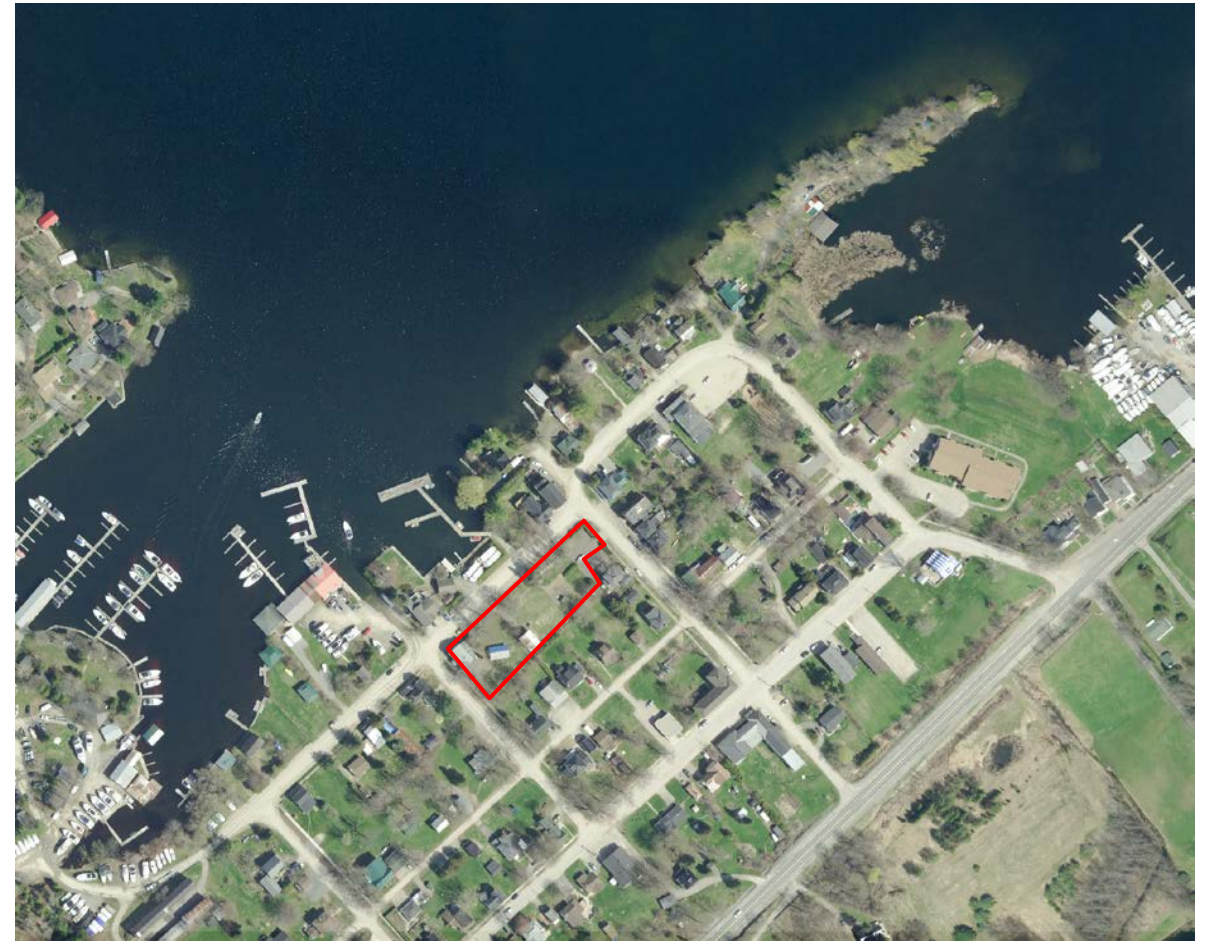
Scenario 1 – Development Concept



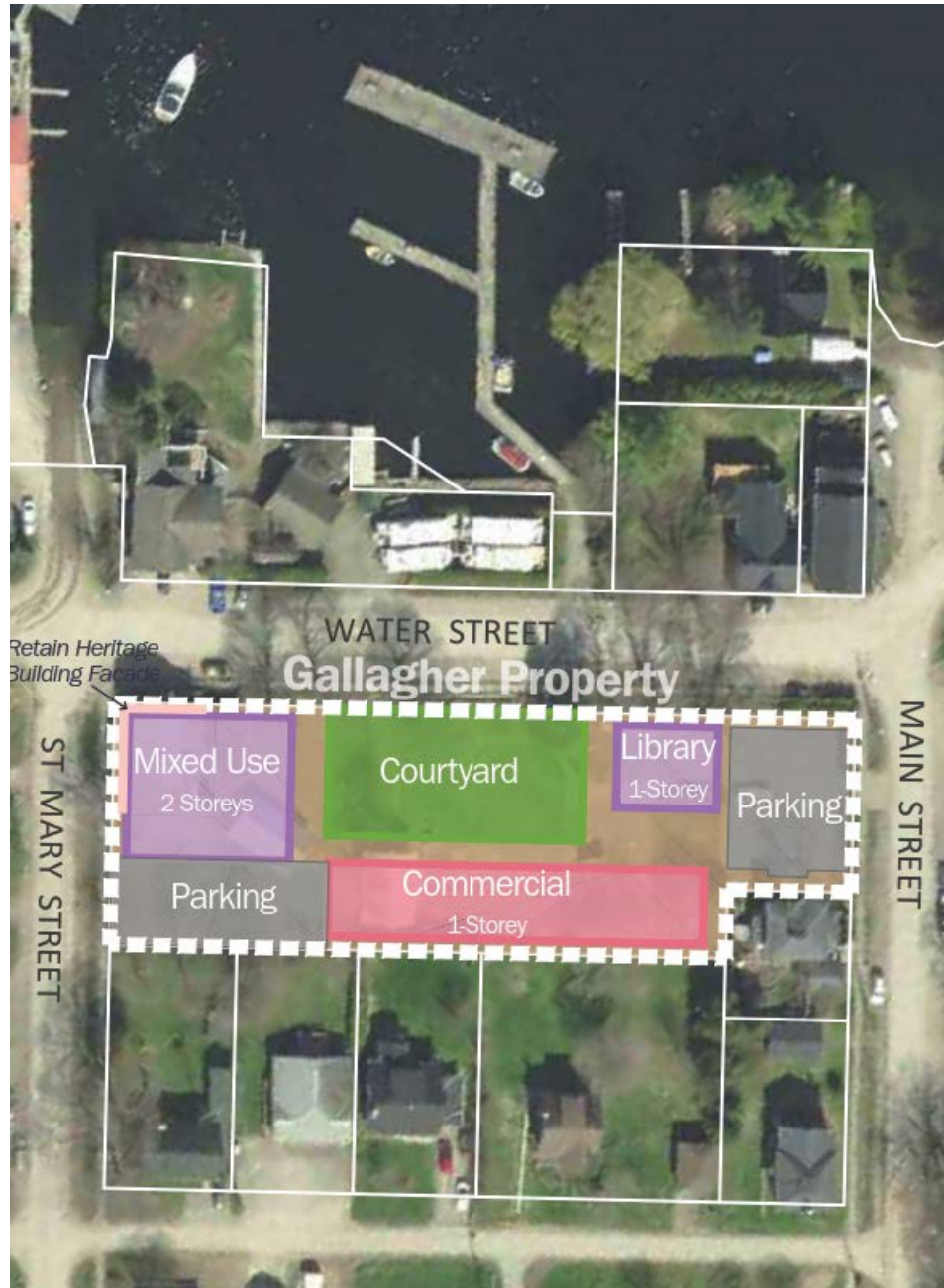
- Mixed-use building on Community Hall site that contains municipal functions, community space and residential units
- Retail space along Campbell Street
- Surface and underground parking facilities
- Acquisition of properties along Water Street for public park space
- Floating breakwater that provides space for small watercraft and a separated swimming area
- *Feedback from public meeting: Playground and access to public washrooms are essential; concern about mixed-use building height.*

Scenario 2 – Gallagher Property

- Site Extent:
 - Water Street between Main Street and St Marys Street
 - Across from existing marina
 - Existing parking area on corner of Water Street and Main Street
 - Heritage property (Peter Bresee House) on corner of Water Street and St Marys Street



Scenario 2 – Development Concept



- Mixed-use building containing municipal and community hall functions, as well as harbour facilities (washrooms, showers)
- Library
- Commercial space
- Leverage access to existing marina
- Public courtyard area
- *Feedback from public meeting: 60-70% preference for this option; also a strong desire for third option that combines elements of both.*

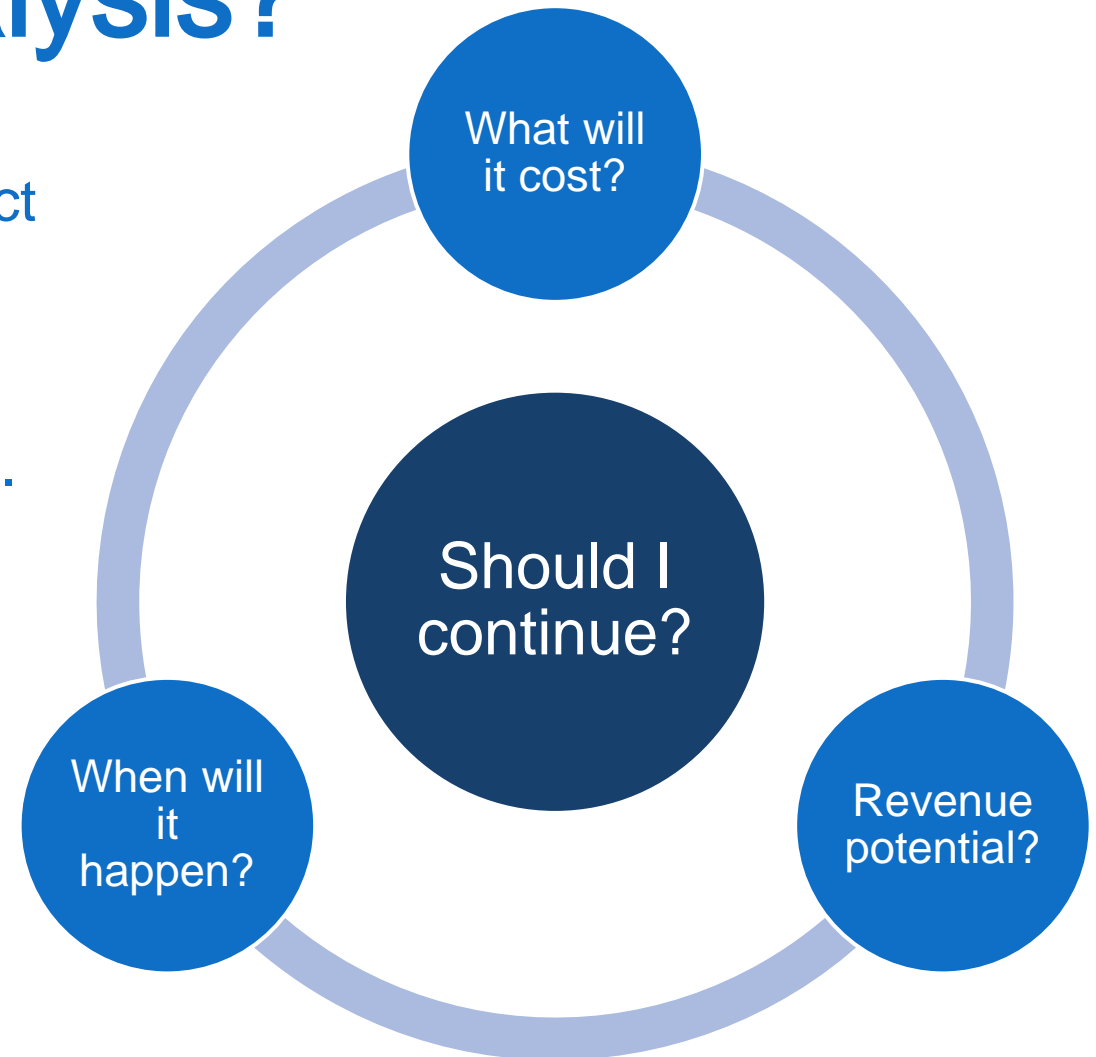
THE PRO FORMA

Understanding the tool and testing options



What is pro forma analysis?

- Evaluate the financial prospects of a project
- Developers: choose between / assess projects
- Assumptions: cost, revenues, phasing, etc.
- Can provide insight into impact of design changes and/or policy impacts
- **One** answer, not **the** answer
- Part of a valuable toolkit



Why make use of pro forma analysis – municipalities?

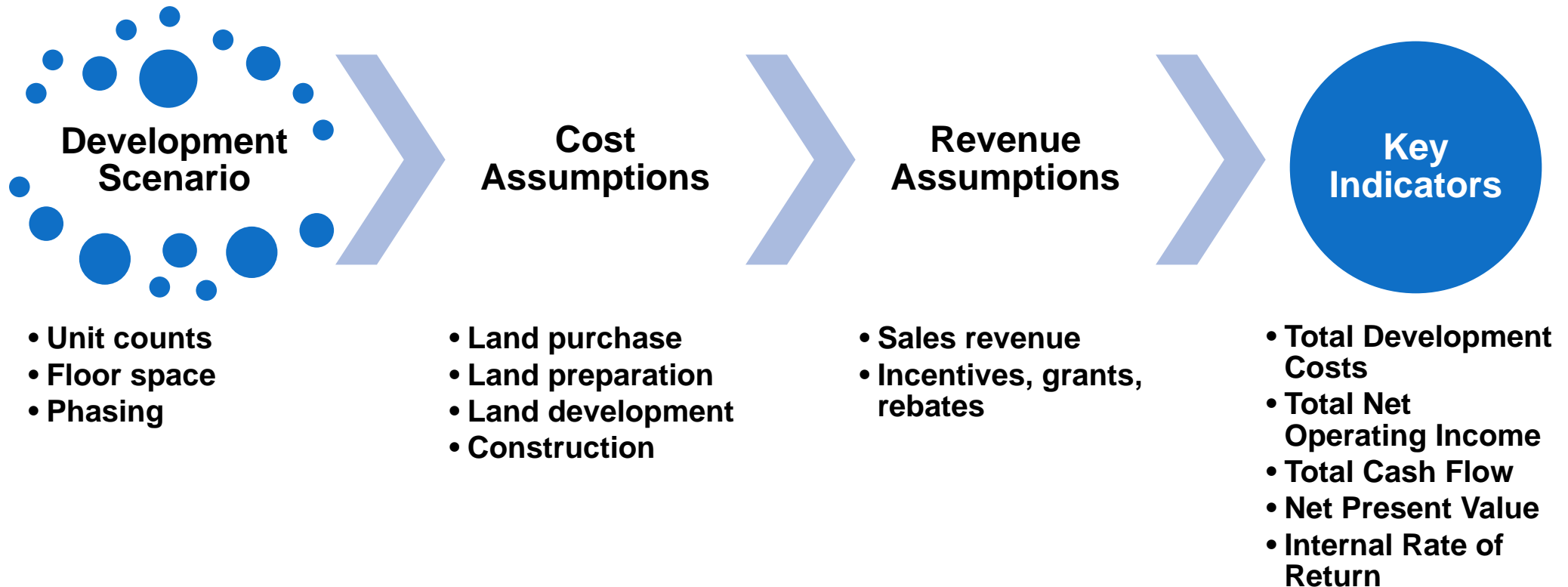
For the economic developer / staff / community / Council

- Useful for testing financial feasibility of design choices
- “What happens to the financials if I change ‘X’ in the design?”
- “Should I make this investment vs. others?”
- “Would this project be attractive to the private sector? Is this only viable as a public-sector project?”

n.b., only as good as the assumptions



How does pro forma analysis work?



Pro Forma Analysis Key Indicators (1)

Net Present Value (NPV)

- Dollar-based measure of how close an investment would come to meeting expected returns
- Difference between *cash inflow* and *cash outflow* over a given period of time assuming a given discount rate

From the municipal perspective

Could this be a cost to our community (NPV negative)?...

Or cost-neutral (NPV near zero)?...

Or help us gain some revenue that we can reinvest (NPV positive)?

Pro Forma Analysis Key Indicators (2)

Internal Rate of Return (IRR)

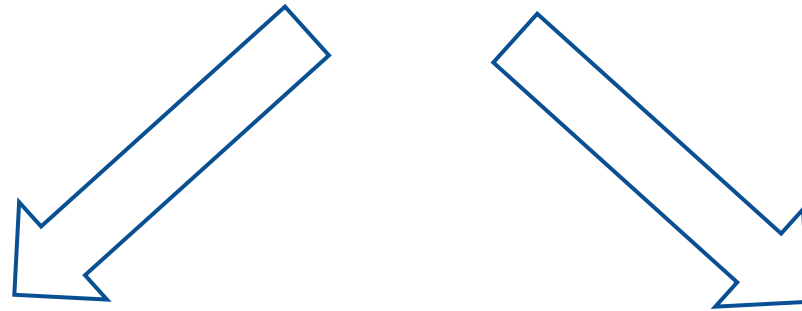
- Annual measure of return on investment over the lifetime of a project, as a percent
- Percentage rate earned on each dollar invested for each period of investment
- **Typical expectation for private sector = 15%**

From the municipal perspective

After adjusting for inflation and any loan interest we'd pay, what could be the 'profit' margin of this project?

In the way we are applying it, pro forma analysis is a tool to help answer the question:

Does this development opportunity merit further consideration?



No

Yes

WHAT THE TOOLKIT TOLD US

Answers for both sites



What the toolkit told us...

Before we switch to the actual pro forma tool in Excel, any guesses on what the toolkit told us?

1. Gallagher vs. Community Hall site?
2. NPV for both (millions of dollars)?
3. IRR for both?

YOUR TURN: SENSITIVITY TESTING

What happens if we...



Sensitivity Testing Activity

- **Do you have a deck of cards?**
 - Opportunities to modify a feature of the base scenario, which will have financial impacts on the project
- Look through the cards & choose as few or as many cards as you like to create your own “scenario” for Portland
- We will enter your choices into the pro forma to find out the results!



Key Questions

- Has the sensitivity testing activity changed how you feel about the economic development opportunity in Portland?
- **Can you think of any opportunities to use this tool for your own municipality's projects?**



Wrap-Up

Pro Forma Tool

Helps with decision-making

Is a model (not a guarantee)

Constantly revisited

For Portland

Q:“Does this merit further consideration?”

Trial alternatives using sensitivity tests

Outcome given Level ‘D’ cost estimating;
moving forward involves more due diligence, more rigorous cost estimating, and updated market data

Want your own pro forma toolkit?

The Rural Pro Forma Toolkit is coming soon! It includes:

- Guide on how to use this pro forma tool
- Instructional videos
- The Excel spreadsheet with the Portland case study

E-mail us and we will send you the link to download once the website is launched: **RuralProFormaToolkit@gmail.com**

Thank you!

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