TODS - SAENZ PEÑA

Pre Feasibility Analysis

Prepared for

The World Bank

3 de Febrero - Buenos Aires - Argentina

June 2019
Methodology

Current Situation

Features
(Location / Accessibility / Surroundings / Services / Regulations / etc.)

Trade Area
Demography / Socioeconomic Level

Government Initiatives
(Municipal / Province / Nation / Transport Ministry / AABE)

Macroeconomic Environment

Real Estate Market
(Supply / Demand / Potential Developers by RE Use / Scale, etc.)

New Facts

Objectives / Owner’s Alternatives

Analysis / Summary
(Use / Positioning / Market Potential / Absorption)

Planning

Business Format
(Sale / Lease)

Areas and Potential Uses Pre Sizing
(Parcels / Buildings / Mix / Public Areas / Considerations)

Economic and Financial Indicators

Business Key Data
(VAN – Value. / Max. Financial Exposure / Pay Back / etc.)

Interviews with Market Players

Business Case

Uses, norms, infrastructure approvals and services

Business Perspectives
(Development and Operational Schemes / Projection / Phases / etc.)

Business Structure
(Sale in block or parcels)

Value Creation Strategy Alternatives
Location and Accessibility

Estación Sáenz Peña
Ferrocarril Gral. San Martín
Partido de Tres de Febrero
Provincia de Buenos Aires
Location and Accessibility (Cont.)
Location / Accessibility / Morphology

Av. América
Hacia Nodo Mecanón
Estación Sáenz Peña

Desde Salida Luis de Corp
Hacia Av. Beira

Morphology

Accessibility

Location

5
Findings - Highlights

Strengths and Opportunities

✓ Attractive project and location to develop the TODS strategy for urban growth.
✓ Important community spill over due to the creation and reconversion of public space.
✓ The location, scale and shape of the properties projected are suitable for a project that will overcome the current supply.
✓ Good general accessibility, better depending on the RE Use.
✓ The project is already legally regulated and approved by all parts involved (local, national and state departments)
✓ Other projects that may compete with the TODS are smaller and lack differentiating features.
✓ Scale and Accessibility of the Project allows it to focus in local demand and beyond.
✓ Attractive location for a residential development oriented to medium and medium/low socioeconomic level.
✓ Mortgages and other economic incentives for the sale of the properties may reduce absorption times.

Weaknesses and Threats

✓ Not the right time to sell: economic (market) and political (presidential elections coming).
✓ Real Estate Market Transition: supply is adapting and demand slowed down. Investors and high income population motorized the market.
✓ For the project to be successful, some infrastructure and other works need to be developed.
✓ Major financial exposition vs. other locations: mainly way of payment and infrastructure.
✓ The large scale of the project makes it difficult for a single local developer to acquire the entire property.
✓ Low Density area, with medium, medium/low socioeconomic level predominance.
✓ Some projects nearby may become competitors for this project (Nobleza / Lastra y GP).
✓ Current accessibility makes it less advantageous for the project to be a commercial development zonal scale.
✓ Its location is not validated yet as a Corporate Office Spot. It does allow an alternative office format, though.
Value Generation Strategy – Key Drivers

Objective: to obtain the best possible value for the State and the Community, aligning process’ times and risks.

- Align incomes with the real funding needs.
- Manage financial risks (payment methods), infrastructure (who and when) and scale (selection among probable developers / investors)
- Capitalize the best value reached by different activities and facts:
  - Consolidation and Project Progress
  - Create General awareness about the TODS Strategy
  - The improvement of the micro and macro context
## Value Generation Strategy – Alternatives

- **Initial Hypothesis**
  - Sale Value: USD 10
  - Net Income: USD 8.5

- **Value Generation Strategy**
  - Sale as a block
  - Infrastructure works done by developer (3/5 years)
  - Cash Payment
  - Sale Value: USD 10.6
  - Net Income: USD 10.6

- **Alternative: 2 years payment**
  - Sale by Parcels
  - Infrastructure works done by local municipality
  - Cash Payment
  - Sale Value: USD 16.5
  - Net Income: USD 15.0

(*) Estimated Costs for Local Streets and Basic Services = 1.5 USD MM

(###) Alternative: 2 years payment

Value
Criteria
Alternatives
Value Generation Strategy – Alternatives

• **Advantages**
  - Immediate availability of funds.
  - Municipality is able to control the infrastructure works (streets and infrastructure)

• **Disadvantages**
  - Funds cannot be used straightforward for remaining infrastructure works (tunnel, train station, etc.)
  - Higher risk for developer (is not able to control the infrastructure works)
  - The scale of the project reduces the number of possible developers
Value Generation Strategy – Alternatives

- **Advantages**
  - Higher value and immediate availability of funds.
  - Less risk for developer as he monitors infrastructure works.

- **Disadvantages**
  - Funds cannot be used straightforward for remaining infrastructure works (tunnel, train station, etc.)
  - Less visibility for the municipality
  - The scale of the project reduces the number of possible developers
Value Generation Strategy – Alternatives

- **Advantages**
  - Value Increase
  - More aligned income for remaining infrastructure works (tunnel, train station, etc.)
  - Less risk for developer (infrastructure + financial)

- **Disadvantages**
  - Only part of the funds will be immediately available.
  - Less visibility for the municipality
  - The scale of the project reduces the number of possible developers
Value Generation Strategy – Alternatives

- **Advantages**
  - Value increase
  - More potential developers / investors
  - Incomes better aligned with infrastructure works
  - Less risk for developer (infrastructure, financial and scale wise)

- **Disadvantages**
  - Only part of the funds will be immediately available
  - More management (construction / commercialization)
  - Harder to allocate construction works for different developers, since they will all be expecting the best benefit.
Executive Summary

Execution Process - Highlights

The following chart highlights some of the key steps for value generation. Aligning incentives and needs among the various stakeholders (Government – Market – Community) is an important way to reduce risk. Risk mitigation in any project leads to a sustainable value generation.

<table>
<thead>
<tr>
<th>Land’s Business Potential</th>
<th>Governmental Objectives &amp; Needs</th>
<th>Need for Public Sector Involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Market Research / Product Definition/ Business Case)</td>
<td>(TODS/Urbanization/ Public Space Transformation / Etc.)</td>
<td>(Infrastructure Budget / Services / Etc.)</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Master plan</th>
<th>Complementary Tasks</th>
<th>Zoning Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Building Shapes / Heights / Constructive Potential / Approved and Required RE Uses / Public Spaces / Etc.)</td>
<td>Clear Land Ownership</td>
<td>(Local / Province)</td>
</tr>
<tr>
<td>Utilities Feasibility (water / sewer / gas / electricity)</td>
<td>Measures / Subdivisions</td>
<td></td>
</tr>
<tr>
<td>Environmental Impact (Traffic / Liabilities Neighbors / Etc.)</td>
<td>Infrastructure compensation must be identified and measured</td>
<td></td>
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</tbody>
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<table>
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<tr>
<th>Sale Strategy</th>
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<tbody>
<tr>
<td>(Sale as a block / Sale as Parcels / Payment Methods / Extra Charge / Extra Considerations, Etc.)</td>
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</table>

Value Generation

IIIQ and IVQ 2019, estimated (#)

Bidding Process

(Invitation / Site visits/ Inquiries / Bid Analysis / Contract / Award)

Bidding Package

(Minimum Price / Payment Methods / Warranties / Insurance / Liabilities / Timeline / Etc.)

Execution / Sale Phase

(#{AABE is doing its best efforts to start the bidding process (parcels 1-2) in 2019. We consider it would be better to do it after the presidential election, probably 2020.}

Time Schedule and risks alignment for the Market (Developers)

IIIQ and IVQ 2019, estimated (#)
Final Comments

Acknowledgments
The project is funded by the Korea Green Growth Trust Fund and advised by the City Resilience Program, both part of the World Bank Group.

KGGTF
The Korea Green Growth Trust Fund (KGGTF) – is a single Donor World Bank Group program. The 88-million-dollar program was established in 2011 in partnership with the Republic of Korea. KGGTF finances the uptake of operational Green Growth technical know-how to influence investment project design of clients of World Bank and IFC. Economic pathways and solutions that integrate multi-sector needs, technological innovation and social inclusion are green growth approaches. KGGTF leverages real-world experience of policy makers and green growth technical practitioners to promote and integrate green growth concepts into investment decisions.