TODS - SAENZ PEÑA

Pre Feasibility Analysis

Prepared for

The World Bank







3 de Febrero - Buenos Aires - Argentina

June 2019











Methodology

Project

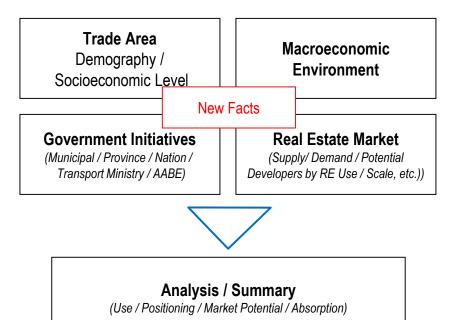
Features

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



Objectives / **Owner's Alternatives**

Current Situation



Planning

Business Perspectives

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

Uses, norms, infrastructure approvals and services

Areas and Potential Uses Pre Sizing

(Parcels / Buildings / Mix / Public Areas / Considerations)

Economic and Financial Indicators

Business Format

(Sale / Lease)

Business Case

Business Key Data

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

Business Structure

(Sale in block or parcels)

Interviews with **Market Players**



Value Creation Strategy Alternatives

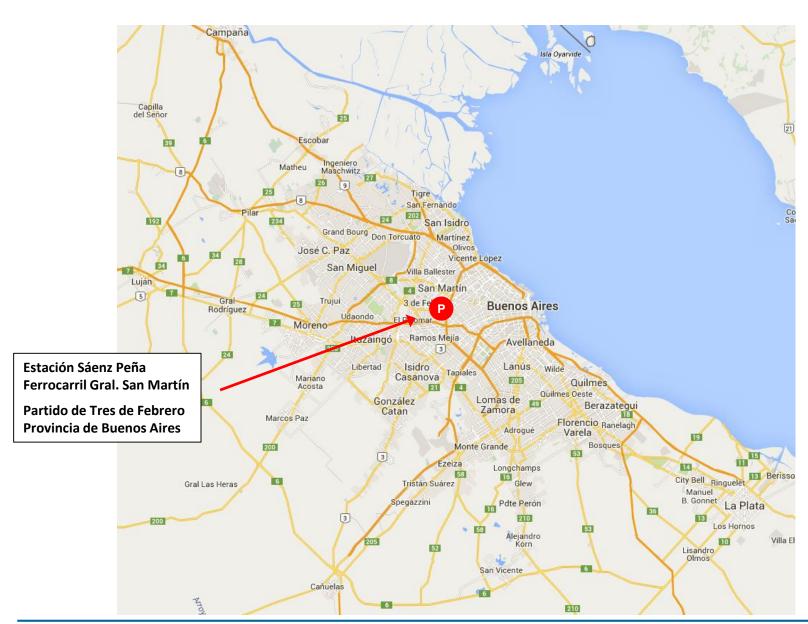








Location and Accesibility











Location and Accesibility (Cont.)









Location / Accessibility / Morphology











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.









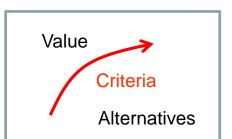
Value Generation Strategy – Key Drivers

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

Initial Hypothesis

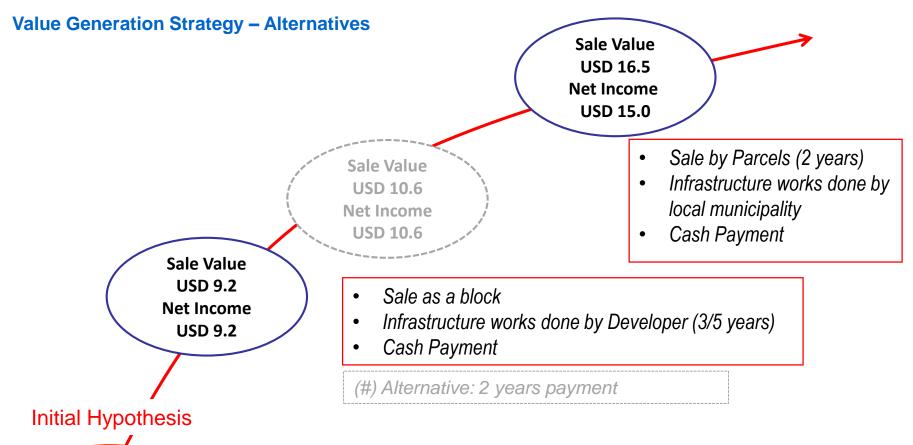








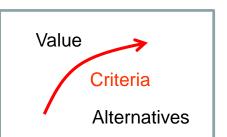




Sale Value USD 10 Net Income

USD 8.5

- Sale as a block
- Infrastructure works done by local municipality
- Cash Payment

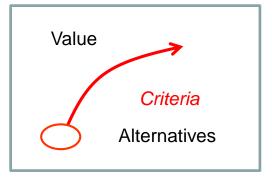












Advantages

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

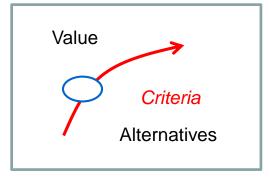
- Funds cannot be used straightforward for remaining infrastructure works (tunnel, train station, etc.)
- Higher risk for developer (is not able to control the infrastructure works)
- The scale of the project reduces the number of possible developers











Advantages

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

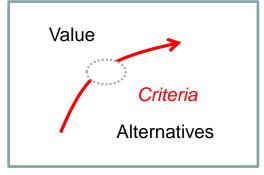
- Funds cannot be used straightforward for remaining infrastructure works (tunnel, train station, etc.)
- · Less visibility for the municipality
- The scale of the project reduces the number of possible developers











Advantages

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

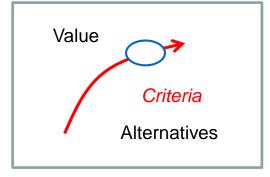
- Only part of the funds will be immediately available.
- · Less visibility for the municipality
- The scale of the project reduces the number of possible developers











Advantages

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

- · 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) it is an important way to reduce risk. Risk mitigation in any project leads to a sustainable value generation.

Land's Business Potential

(Market Research / Product Definition/ Business Case)



Governmental Objectives & Needs

(TODS/ Urbanization/ Public Space Transformation / Etc.)



Need for Public Sector Involvement

(Infrastructure Budget / Services / Etc.) Timeline

Alignment of Governmental Needs and the Market

Sale Strategy

(Sale as a block / Sale as Parcels / Payment Methods / Extra Charge / Extra Considerations, Etc.)

Master plan

(Building Shapes / Heights / Constructive Potential / Approved and Required RE Uses / Public Spaces / Etc.)

Complementary Tasks

Clear Land Ownership

Utilities Feasibility (water / sewer / gas / electricity)

Measures / Subdivisions

Environmental Impact (Traffic / Liabilities Neighbors / Etc.)

Infrastructure compensation must be identified and measured

Zoning Approval
(Local / Province)

IIIQ and IVQ 2019, estimated (#)

Bidding Package

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

Bidding Process

Value Generation

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

(#) AABE is doing its best efforts to start the biding 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)



Execution / Sale Phase









Final Comments

Acknowledgments

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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.