Mulroy Real Estate Challenge
at Villanova University
Philadelphia, PA
March 31st and April 1st, 2022

Bayfront Opportunity

Editors' Note: *This case has been written specifically for the 2022 Mulroy Real Estate Challenge at Villanova University. Although the case involves a specific site, many of the facts of the case are hypothetical. Contacting former, current, or future government officials, owners, or other professionals who are now or have been affiliated or otherwise involved with similar sites or the company is absolutely and strictly prohibited for the student teams and their faculty advisors.*

The case is designed to provide a thorough and balanced application of both qualitative and quantitative skills regarding real estate development. Please do not distribute the case beyond the student teams from each participating school in the 2022 competition.

Thanks for your participation!

Bayfront Opportunity

Ryan Sampson was sitting at his desk reflecting on a crazy two years. In the beginning of 2020, COVID was a word that was vaguely showing up in news reports. By March of that year, the impact on global public health and the global economy was still unknown. The outlook for the Florida land market and the Eshenbaugh Land Company was also cloudy. Now, nearly 2 years later, the pandemic still lingers, but the outcome for the Florida economy and the real estate market is clear. Land deals for industrial and residential properties are at unprecedented levels and there is no end in sight. Eshenbaugh has thrived and grown, cementing its place as one of the top land specialists in the Tampa area and beyond.

It is this environment that led Ryan to reconsider a piece of land in South Tampa with an intriguing history. "Georgetown" is a 162-acre waterfront site in Hillsborough County that is entitled for a mix of residential and commercial uses. The site has sold for as much as $125,000,000 in the heady days before the great recession and last traded for $32,000,000 in the heart of the great recession. The current owner demolished an existing empty apartment building, and the site sits empty today. Ryan and Eshenbaugh are always on the lookout for opportunities, and the current market conditions in the Tampa area might mean now is the time for this promising piece of waterfront property to come back on the market.

Ryan is busy with all his other deals and clients but would like to produce an overview of the property and its potential for the market. He has asked your team to create a development plan for the property and use that plan to back into a land valuation for the property. If the deal makes sense for the current owner, Ryan and his team may be able to market it to developers across the country in what would be a highlight deal in the region.

Tampa, FL

Tampa is the third largest city in Florida. Located on Tampa Bay and close to the Gulf of Mexico, Tampa has long had the potential to become a top Florida destination. Florida, and Tampa specifically, historically have been focused on agriculture and tourism. Tampa has long had ambitions to be more. Back in the 1980s, there was a great book named *Tampa, America's Next Great City*. Several boon/bust cycles made that book a running joke in Florida. Recently, things have begun to turn.

In an effort led by Bill Gates, and Jeff Vinik, a developer and owner of Tampa Bay Lightning, Tampa rebranded itself as the tech capital of Florida in 2016. The Gates/Vinik partnership planned to invest over $3.5 billion into downtown Tampa, transforming the city. While those investments have not been fully realized, Tampa's reputation as Florida's tech capital are coming to fruition. In August, Forbes Magazine dubbed Tampa the top emerging technology city in the country, ahead of New York, Miami, and San Francisco. Much of the credit went to Jeff Vinik's involvement in the local tech system, development, and innovation hub Embarc Collective, with more than 100 startups. When LinkedIn released its list of the top ten cities for tech employment, the Tampa Bay region landed in sixth place.

The growth of the Tampa market has led to opportunities for development. The need for new residential, industrial, and commercial spaces has spurred a development boon in the greater Tampa area.

South Tampa is one of the most beautiful and trendiest areas in all of Tampa. The waterfront peninsula neighborhood offers a great standard of living, high-quality schools, water vistas, and the historic Hyde Park neighborhood. Home to Tom Brady and Derek Jeter, this neighborhood is ideal for those that seek a high quality of life and prefer to spend less time commuting via highway traffic. Many of the top entertainment points and restaurants are located within this area or a short distance away. Bayshore Boulevard provides a waterfront route for biking and jogging and creates a clear route to Downtown Tampa's Riverwalk through Curtis Hixon Park and Waterfront Park, with many great stops along the way and beyond to Ybor City.

Homes in this highly desirable neighborhood range from $1,000,000 to $20,000,000+ and typically only take days to sell at or above asking price as supply is at an all-time low and demand from out of state buyers is increasing daily. Similarly, land supply is at an all-time low as this 5,000+/- acre submarket may have only 200 or so undeveloped acres, with the majority of the new developments being redevelopments of older structures. Land prices in South Tampa are going for north of $3,000,000/acre for high density residential to as little as $1,500,000/acre for retail land.

The Eshenbaugh Company

The Eshenbaugh Land Company was founded in 1992 by Bill Eshenbaugh. The company represents landowners in the Tampa Bay area and beyond and has used a blend of experience, education, and market expertise to become a land deal leader in the area. Ryan Sampson joined the firm in 2005 and has continued to help the firm grow becoming its CEO in 2016. Eshenbaugh surpassed $1.5 billion in sales in 2020 and continues to be a leader in the Tampa market. The nickname for the Eshenbaugh company is "The Dirt Dog". This nickname has become the firm's central theme. They use hard work and relentless determination to secure the best results for their customers typically achieving market high land prices to some of the largest national developers and publicly traded companies.

One of the services the company provides the market is the quarterly "Eshenbaugh Report" which gives updates on the firm's latest deals and provides market commentary from the principals of the firm. In a fast-moving market like Tampa, the expertise of a firm like the "Dirt Dogs" can be invaluable for landowners looking to secure a fair price for their land deals.

Providing opinions on deals like Georgetown is one of the many services provided by Eshenbaugh. Your input will be invaluable in securing this deal if it seems now is the time. Careful consideration of the property, the final mix of uses, and the stabilized value of the developed land help create an appropriate land value. The realities of the current market for land in South Tampa also is important in determining whether the necessary value is supported by current market conditions. Your team needs to use the spirit of the Dirt Dogs in developing your solution. Hard work, cooperation, and a knowledge of the needs of the Tampa market will be necessary in creating a believable and marketable final presentation.

The Georgetown Site

The following was taken from an offering memorandum from 2009, the last time Georgetown was on the market.

The Property is a 162-acre residentially and commercially zoned and entitled land site in affluent South Tampa, Florida. The Property, containing a marina, white sand beaches, a lagoon, and canals, is well-positioned for single family, multifamily, and retail development. Fronting Tampa Bay, the Property affords unmatched views and an infill location near major employment, transportation, and recreational nodes. Georgetown is located within the city limits of Tampa in Hillsborough County, Florida. The site previously had a non-operating 624-unit apartment complex on 56 acres. The apartments have been demolished, and the Property is currently entitled for 1,235 residential units189 boat docks.

South Tampa is one of the most prestigious residential neighborhoods in the Tampa Bay area. This established neighborhood is characterized by luxury homes – both historically preserved and renovated bungalow styles, as well as modern and more recently built mansions, luxury condominiums, townhomes, and rentals. It is home to young professionals, families, and senior executives. Many of these residents work in Tampa Bay's three major employment centers: Westshore, Downtown Tampa, and the Gateway business district. Cultural, sports, and entertainment venues are also in very close proximity to the Property.

The Westshore CBD, which represents the second largest business district in the State, is the destination of over 170,000 employees. In addition, the downtown Tampa CBD is a destination for over 60,000 employees. The Gateway business district, across the bay in Pinellas County, has over 4.3 million square feet of office space. Georgetown enjoys easy access to Tampa International Airport, Leroy Selmon Crosstown Expressway, Interstate 275, and the Gandy Bridge. Upscale shopping is only minutes away at Westshore Plaza and International Plaza with Neiman Marcus, Nordstrom, Gucci, Coach, Apple, and Tiffany & Co. as the prominent tenants.

- PROPERTY SUMMARY
    - Address: South Westshore Blvd. Tampa, Florida
    - Location: North of Gandy Boulevard along the west side of Westshore Boulevard in the City of Tampa, Hillsborough County, Florida, fronting on Tampa Bay. This submarket enjoys easy access to Tampa International Airport, Leroy Selmon Crosstown Expressway, Interstate 275, and the Gandy Bridge.
    - Size: Approximately 162 gross acres; including submerged land, wetlands, and undeveloped land. Breakdown of Acres: 162 acres gross; 62 acres of wetland, surface water and canals
    - Zoning: RM-24, 153 acres; General Commercial, 9 Acres
    - Land Use:
        - RM-35, residential mixed use, .50 FAR
        - CMU-35, commercial mixed use, .50 FAR

- Scope of Permitted Infrastructure Improvements: Infrastructure and improvements previously approved and permitted included roads, underground utilities, seawalls, rip rap, wetland mitigation and enhancement, import of fill, and dredging

- Utilities:
    - Water – 8” and 12” lines in Westshore Blvd
    - Sewer – 8” and 10” gravity lines in Westshore Blvd

- Flood/Velocity Zone: The Property falls within two FEMA Flood Zone classifications: AE (eastern portion of site) and VE (western portion of site). There is a conditional approval letter to change the FEMA map. Need construction drawings approved for final change.

- Drainage: Current approved permits are for vaulted retention

- Marina: In its current configuration, the marina has approved permits for 189 wet slips

- Canal Approach Depths:
    - North side of peninsula: 14 feet
    - South side of peninsula: 10 feet
    - North canal: 4 feet
    - South canal: 6 to 8 feet
    - Interior canals: 3 to 4 feet
    - Current approved permits allow canal depths to be dredged to 5.5 feet below mean low water (MLW)

- Approved/active permits have been issued by the following agencies:
    - Army Corps of Engineers
    - Southwest Florida Water Management District
    - Hillsborough County EPC
    - Federal Emergency Management Agency
    - Tampa Port Authority

- Employment Centers:
    - Westshore CBD: 3.2 miles
    - Tampa CBD: 7.6 miles
    - Pinellas Gateway Center: 8.2 miles
    - Downtown St. Petersburg: 16.4 miles

- Retail/Points of Interest:
    - Westshore Plaza: 2.9 miles
    - International Plaza: 3.9 miles
    - Westshore Marina District: 0.5 miles
    - Tampa International Airport: 5.6 miles
    - Tampa General Hospital: 7.2 miles
    - Beaches: 20.3 miles

Development Costs and Permanent Financing Terms

Asset	Hard Costs Including Site Work
Multifamily:	
Apartment	$300,000 per unit
Office:	
Office Shell	$200 per square foot
Tenant Improvements and Leasing Commissions	$100 per square foot
Retail:	
Below Apartment or Office	$200 per square foot
Owner Tenant Improvements	$200 per square foot
Hotel:	
Full Service	$400,000 per key
Value and Moderate Service	$175,000 per key
Parking	
Structured	$25,000 per stall

Site improvement costs are approximately $25,000,000
Soft costs are 15% of hard costs and include charges for financing the construction.

Financing Terms

- Assume any developer that would take on a project of this size has a relationship with several large lenders and can secure both construction and permanent financing at relatively attractive terms.
- For simplicity assume that construction loans are approximately 75% maximum loan to cost, and construction financing costs are included in the above soft costs.
- Permanent financing is 10-year term at 4%, and 30-year amortizations for apartments, with a max LTV of 75%.
- Office and retail will have a 5-year term on permanent financing, 20-year amortization and an interest rate of 4.25% with 65% max LTV.
- Hotels will also have a 5-year term on permanent financing, 20-year amortization and will have an interest rate of 4.5% with 55% max LTV.
- Shorter terms are generally available with slightly lower rates.

The Dropbox folder has more information on the site including photos and some approved plans from previous owners.

Find the property appraiser page here.

Assignment

Your team will deliver your submission electronically via Dropbox HERE by 12:00 P.M. (Noon) EST on January 31st, 2022. The analysis is meant to show the scope of the opportunity that exists for the Georgetown site. The analysis should include a full development plan including timelines, costs and expected value of the developed properties upon stabilization. From the development analysis, each team should determine a maximum value for the site given their analysis. The project should provide the developer an expected levered IRR in the high teens to low 20s for a project of this scope and risk. In addition to the maximum price, each team should deliver an opinion on whether this price makes sense given the Tampa area land market and whether they think now is a good time to market this site. Major risks for the plan should also be included and a sensitivity analysis on the major levers to the final valuation should be part of the presentation.

The top 16 presentations will be chosen by a group of industry professionals and announced on February 15th, 2022. Advancing teams will present on April 1st, 2022 at the Union League of Philadelphia to a panel of judges, where the winning teams will be determined. The judges will determine the finalists and ultimately the winner based on an overall assessment of the quality of the presentation. Good luck!

Tips:

1. Please feel free to make reasonable assumptions. This will prevent delays that could slow your analysis. We recommend that you state the most important of these assumptions to the judges during your presentation. Any questions should be submitted to shawn.howton@villanova.edu with jessica.taylor@villanova.edu CC'd by 3:00 pm EST on Saturday, January 29th. If the question is deemed critical, both the question and response will be shared with all teams.

2. The case is set in the present. Please utilize any outside knowledge that you have as to the current state of interest rates, capital markets, property cycles, the economy, demographic trends, or anything else that you think would be useful for your analysis. Any information used from outside the case must be free and available to all teams (you don't have to share it but it can't be a paid source).

3. Assume all parties in the case act in their own best interests.

4. Teams will be judged on how well they support their recommendations to Eshenbaugh. There is no right answer. Judges acting as Eshenbaugh leadership will evaluate each team on clarity, creativity, and accuracy.

5. The judges will base their assessment of each team on a combination of qualitative and quantitative factors.