Housing in the Balance

Rick Porter
Richport Properties, Inc
Georgia Institute of Technology

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LET’S TALK ABOUT ……………

• **CAPACITY** ---to accept new development

• **ITERATION** ---the development process

• **BALANCE** ---the development pressures

• **PREDICTABILITY** ---the developer goal
COMMUNITY CAPACITY
NATURAL VS BUILT
NATURAL AND BUILT
BUILT VS ECONOMIC
ECONOMIC VS BUILT
ECONOMIC VS SOCIAL
CAPACITY EXCEEDED
DEVELOPERS NEED....
AND HOPEFULLY....
CREATE CONCEPT FOR NEW SITE

COMPLETE FINAL COSTS & FEASIBILITY

INITIATE SITE WORK MARKETING DELIVERY

MATCH CONCEPT TO ACTUAL SITE

INITIAL MARKET, SITE, FINANCIAL, REGULATORY, REVIEWS

ITERATIVE DEVELOPMENT PROCESS

OBTAIN FINAL REGULATORY APPROVALS

COMPLETE ENGINEERING ANALYSIS & PLANS

SECURE LENDER AND FINANCING
PHYSICAL PRESSURE
Example of Split Drainage to rear yard swale

The highest elevation is set near the approximate midpoint on the property. Surface drainage on property is drained to the street and back to the rear lot line to a collection point such as a catch basin.
Development Permit Process Flow Chart

Submit Development Permit and Applicable Permit Fees

M.D. Opens & Processes File

Circulate to Referral Agencies (30 day circulation)

Development Officer's Decision

Application Approved

Circulate to Area Landowners Advertise twice in the Western Wheel (14 day Appeal Period)

No Objections

Application Refused

Letter to Applicant (14 day Appeal Period)

Objections

Appeal

No Appeal

Advertise in one issue of Western Wheel Half Mile Circulation to Landowners

Development Appeal Board Decision

Approved

File Closed

Refused

File Closed
FEDERAL

Cumulative Number of Federal Environmental Laws

Number of Pages of Regulations Added to the Federal Register Each Year, 1936-2011

Source: Ten Thousand Commandments
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ENDANGERED SPECIES
IDENTIFIED

• CANBY’S DROPWORT

• SOUTHERN PIGTOE
Alphabet Soup...

NTU NPDES TMDL TSS CYA!!!
STORM WATER MANAGEMENT
LOCAL

WOULD YOU LIKE THIS CONDITION NEXT YOUR HOME?
EIGHT COTTAGES ON ONE 60FT. LOT
ZONING WOULD PREVENT IT
CITY OF SEATTLE ZONING COMMISSION
MIXED INCOME COMMUNITY
CONSERVATION COMMUNITY
MARKET PRESSURE

• DEMAND
  – Population Growth
  – Household Size
  – Income Distribution
  – Rent vs Own
  – Market Share
    – $\frac{\text{pop}}{\text{hh size}} = \text{^hh}$
    – $\text{^hh} \times \text{inc dist} = \text{mkt}$
    – $\text{Mkt} \times \text{share} = \text{yr abs}$
    – Units / yr abs = prj abs

• SUPPLY
  – Land Availability
  – Location
  – Market Area Ratio
  – Competition
  – Delivery Time
Market Area Home/Lot Ratio

- 35% Urban
  - $150,000 x .35 = $52,500
  - 900 sq ft x $1.50 = $1350
- 25% Suburb
  - $150,000 x .25 = $37,500
  - 900 sq ft x $1.00 = $900
- 15% Exurb
  - $150,000 x .15 = $22,500
  - 900 sq ft x $.85 = $765
### Increased Cost vs. Sales Price

#### Project 28

<table>
<thead>
<tr>
<th>Sales Price</th>
<th>Land Costs</th>
<th>Direct Costs</th>
<th>Gross Margin</th>
<th>Soft Costs</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>$142,180</td>
<td>$30,000</td>
<td>$75,064</td>
<td>$37,116</td>
<td>$19,974</td>
<td>$17,142</td>
</tr>
</tbody>
</table>

Cost of Lot Increases by $1.00

\[
\frac{1.00 \times 100}{21.1} = \$4.74
\]

Cost of Construction Increases by $1.00

\[
\frac{1.00 \times 100}{52.79} = \$1.89
\]
FINANCIAL PRESSURE

• **VALUE**
  • Comparable Sales
  • Comparable Rents
  • Loan to Value
  • Equity
  • Profit
  • Rate of Return

• **COST**
  • Land
  • Construction
  • Indirect
  • Loan to Cost
  • Budget vs Actual
VALUE FOR SALE HOMES

- Value of a house = comparable homes sold
- Value of a lot = home x market area ratio
- Value of a community = lot value x number of lots
- Number of lots = density per acre
- A & D loan = value of community x 70%
- Construction loan = value of a house x 75% or
- Loan = cost x 85%
- Equity (cash) = total cost – loan
- Rate of return = profit vs absorption time
VALUE FOR RENT HOMES

- Value of unit = Ann rent – ann oper ex / cap rate
- Value of a community = value of unit x number of units
- Number of units = density per acre
- Loan = value of community x 70% or
- Loan = cost of community x 85%
- Equity (cash) = total cost – loan
- Equity return = permanent loan, rent, sale
- Rate of return = time vs return of equity
VALUE VS COST

• Sales price = Value
  – Land per unit +
  – Construction cost per unit +
  – Indirect cost per unit +
  – Profit

Variables are land cost and profit
Land cost is controlled with density
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ITERATIVE DEVELOPMENT PROCESS
WHY IS THE WASTE LINE THERE …

- Is the site for sale
- Does a clean zoning category exist
- Is there household formation---a market
- Rent subsidies only change income distribution
- Will a lender commit
- Tax credits change, do not eliminate, equity
- When can I start construction---approval process
- Collaborative, flexible enforcement
- Does the community support the concept
- Can I make a profit
DILBERT

AS USUAL, I WORKED UNTIL MIDNIGHT LAST NIGHT, MOM.

WELL, AT LEAST YOU MADE SOME EXTRA MONEY.

I DON'T GET PAID FOR OVERTIME.

WELL, AT LEAST IT WAS IMPORTANT WORK.

NOT REALLY.

MY BOSS MADE ME CHANGE MY "POWER-POINT" SLIDES, BUT THE CHANGES MAKE THEM WORSE.

WELL, AT LEAST YOU'RE PREPARED FOR YOUR MEETING.

IT WAS CANCELED.

BUT THAT'S OKAY, BECAUSE THE PROJECT ISN'T FUNDED ANYWAY.

SO... YOU WORKED FOR FREE TO WORSEN A PRESENTATION FOR A MEETING THAT WON'T HAPPEN FOR A PROJECT THAT DOESN'T EXIST?

OH... YOU MUST BE A REAL ESTATE DEVELOPER.

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