Housing in the Balance

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Richport Properties, Inc
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2/24/15
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
SOCIAL ON THE EDGE
CAPACITY EXCEEDED
DEVELOPERS NEED....
AND HOPEFULLY....
INITIATE SITE WORK
CREATE CONCEPT FOR NEW SITE

MARKETING DELIVERY

COMPLETE FINAL COSTS & FEASIBILITY

MATCH CONCEPT TO ACTUAL SITE

INITIAL MARKET, SITE, FINANCIAL, REGULATORY, REVIEWS

COMPLETE ENGINEERING

OBTAIN FINAL REGULATORY APPROVALS

ITERATIVE DEVELOPMENT PROCESS

SECURE LENDER AND FINANCING

COMPLETE ENGINEERING ANALYSIS & PLANS

COMPLETE FINAL Costs & FEASIBILITY
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
Development Permits take approximately 6-8 weeks to process

1. Submit Development Permit and Applicable Permit Fees
2. M.D. Opens & Processes File
3. Circulate to Referral Agencies (30 day circulation)
4. Development Officer’s Decision
   - Application Approved
     - Circulate to Area Landowners Advertise twice in the Western Wheel (14 day Appeal Period)
       - No Objections
         - Advertise in one issue of Western Wheel Half Mile Circulation to Landowners
          - Development Appeal Board Decision
            - Approved
              - File Closed
            - Refused
              - File Closed
   - Application Refused
     - Letter to Applicant (14 day Appeal Period)
       - Appeal
         - No Appeal
       - No Objections
         - 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!!!
URBAN CONSERVATION DEVELOPMENT

21 UNITS
2.6 ACRES
34% TREE SAVES AREA
25%-30% REDUCTION IN STORM WATER RUNOFF FROM PREDEVELOPED CONDITIONS

BASIN A
UNDERGROUND INFILTRATION AND DETENTION FOR ALDERBROOK CONTACT AND ROOF SURFACE

BASIN B
OPEN SOTTON INFILTRATION/INFILTRATION MUL (D) UNDER DECK AND LANDSCAPED INFILTRATION/INFILTRATION MUL (D)

BASIN C
OPEN SOTTON INFILTRATION/INFILTRATION MUL (C) UNDER DECK AND LANDSCAPED INFILTRATION/INFILTRATION MUL (C)

ALL TREES SHOWN ARE ORIGINAL SAVED TREES

LOW DENSITY RESIDENTIAL
NATURE TRAIL

NATIONAL WILDLIFE FEDERATION BACKYARD HABITAT

PERVERIOUS PARKING

DECK AREA WITH PAVILIONS OVER VAULTS B1 AND C1

NATURE TRAIL

PERVERIOUS PARKING

NEW SIDEWALK CONNECTS EXISTING RESIDENTIAL TO COMMERCIAL AREAS

SIDEWALK VARIANCE TO PRESERVE TREES

ENTRANCE AT NATURALGRADE MINIMIZES STORM WATER RUNOFF VELOCITY

INFILTRATION AREA A

ROOFS SED ALL RAINWATER TO THE REAR TO BASIN C, AVOIDING THE NEED FOR FRONT DRAINAGE STRUCTURES. HIRING SAVING TREES ALONG LAVISTA ROAD

DAVIS OAKS
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
  – $\frac{pop}{hh \text{ size}} = \frac{^hh}{^hh}$
  – $^hh \times \text{inc dist} = \text{mkt}$
  – $\text{Mkt} \times \text{share} = \text{yr abs}$
  – Units / yr abs = prj abs

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

- $150,000 \times 0.35 = $52,500 \quad 900 \text{ sq ft} \times $1.50 = $1350
- $150,000 \times 0.25 = $37,500 \quad 900 \text{ sq ft} \times $1.00 = $900
- $150,000 \times 0.15 = $22,500 \quad 900 \text{ sq ft} \times $0.85 = $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

\[
\text{Cost Increase} = \frac{1.00 \times 100}{21.1} = 4.74
\]

Cost of Construction Increases by $1.00

\[
\text{Cost Increase} = \frac{1.00 \times 100}{52.79} = 1.89
\]
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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INITIATE SITE WORK MARKETING DELIVERY

CREATE CONCEPT FOR NEW SITE
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

BY SCOTT ADAMS

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 "PowerPoint" 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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