



Housing in the Balance

Rick Porter

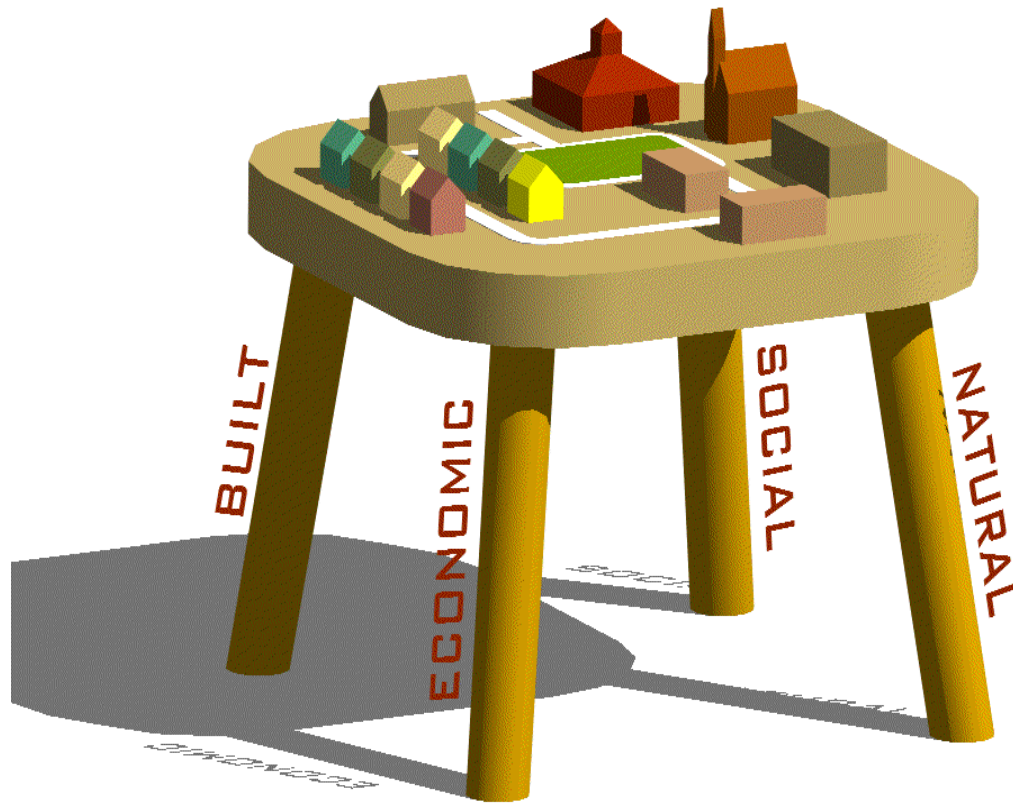
Richport Properties, Inc
Georgia Institute of Technology

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



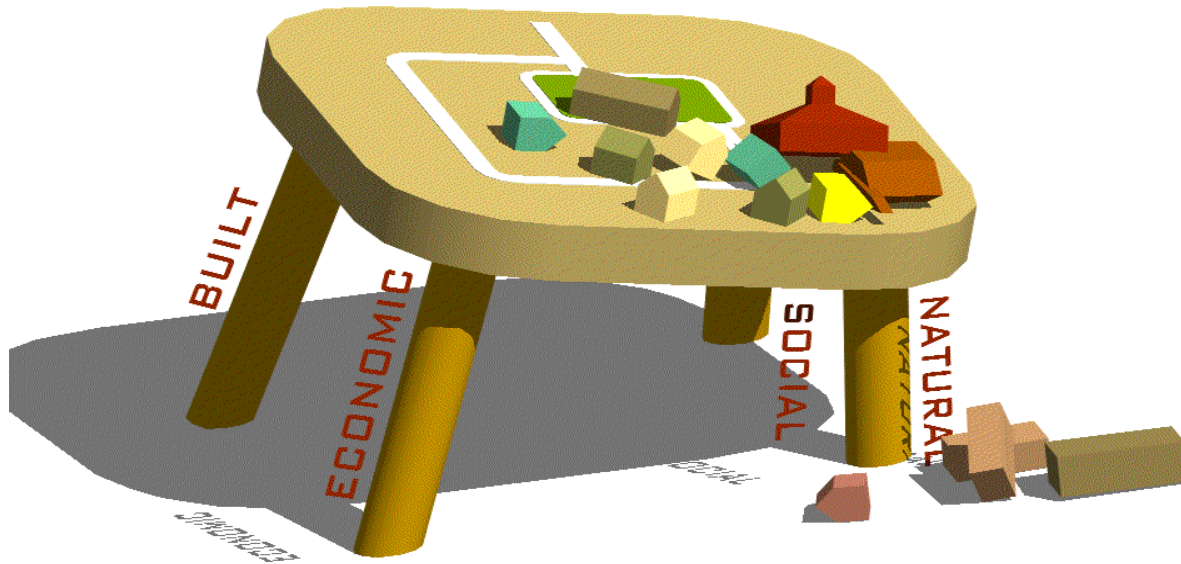
ECONOMIC VS SOCIAL



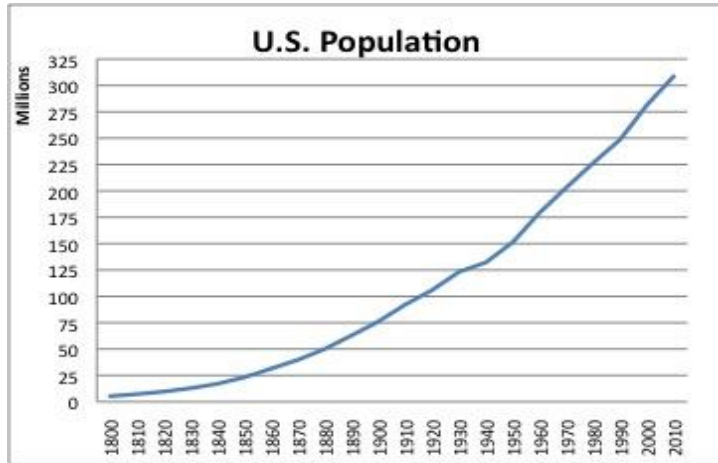
SOCIAL ON THE EDGE



CAPACITY EXCEEDED

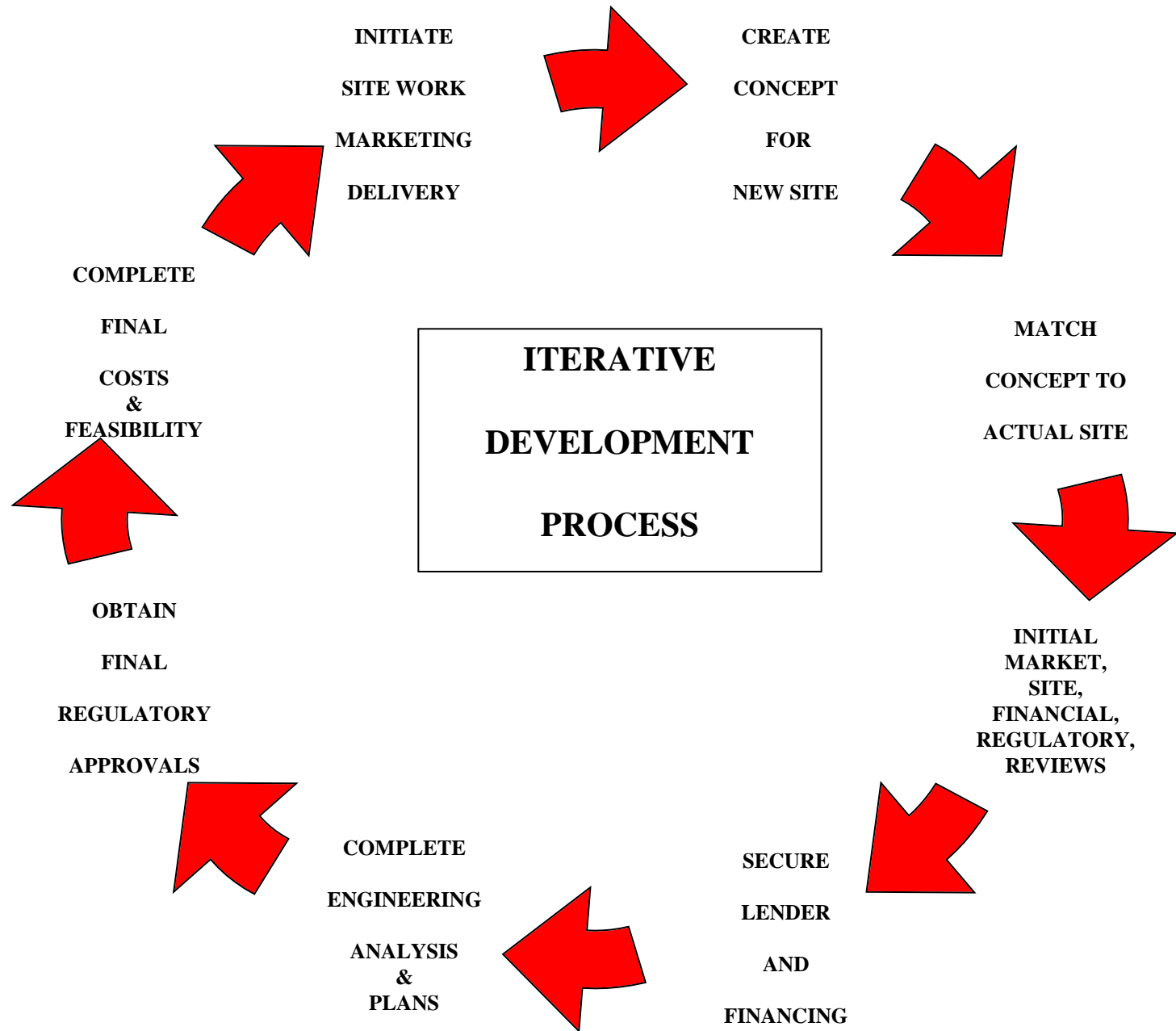


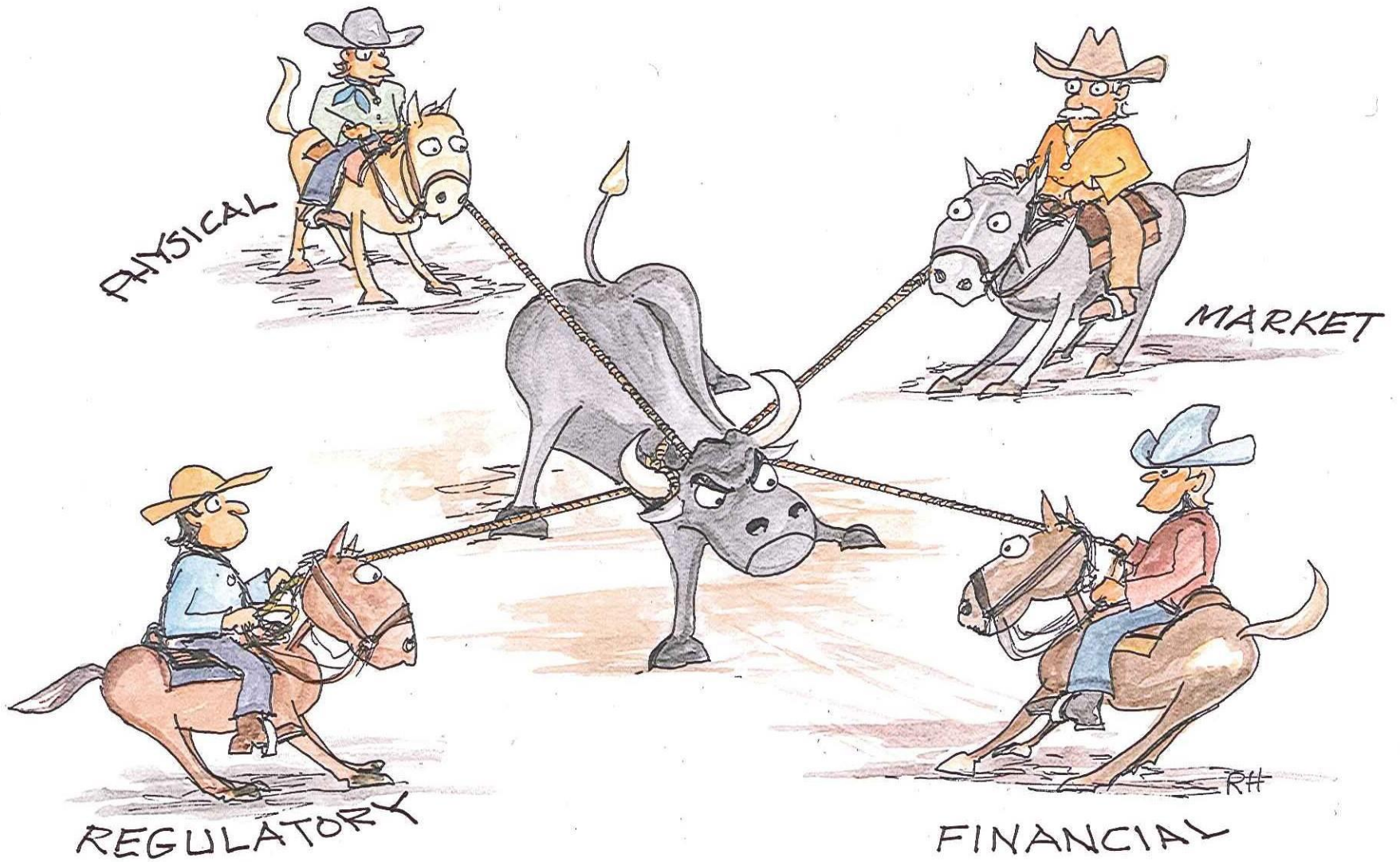
DEVELOPERS NEED....



AND HOPEFULLY....

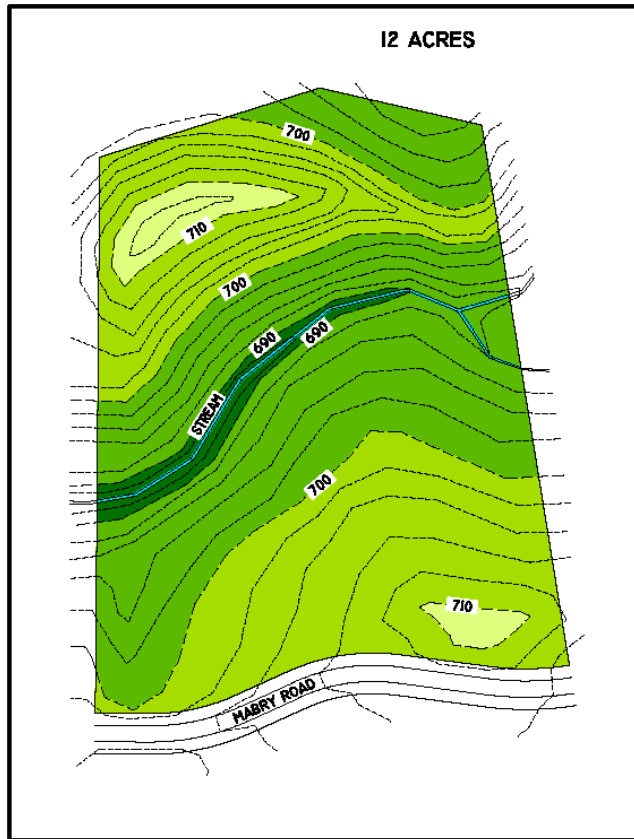


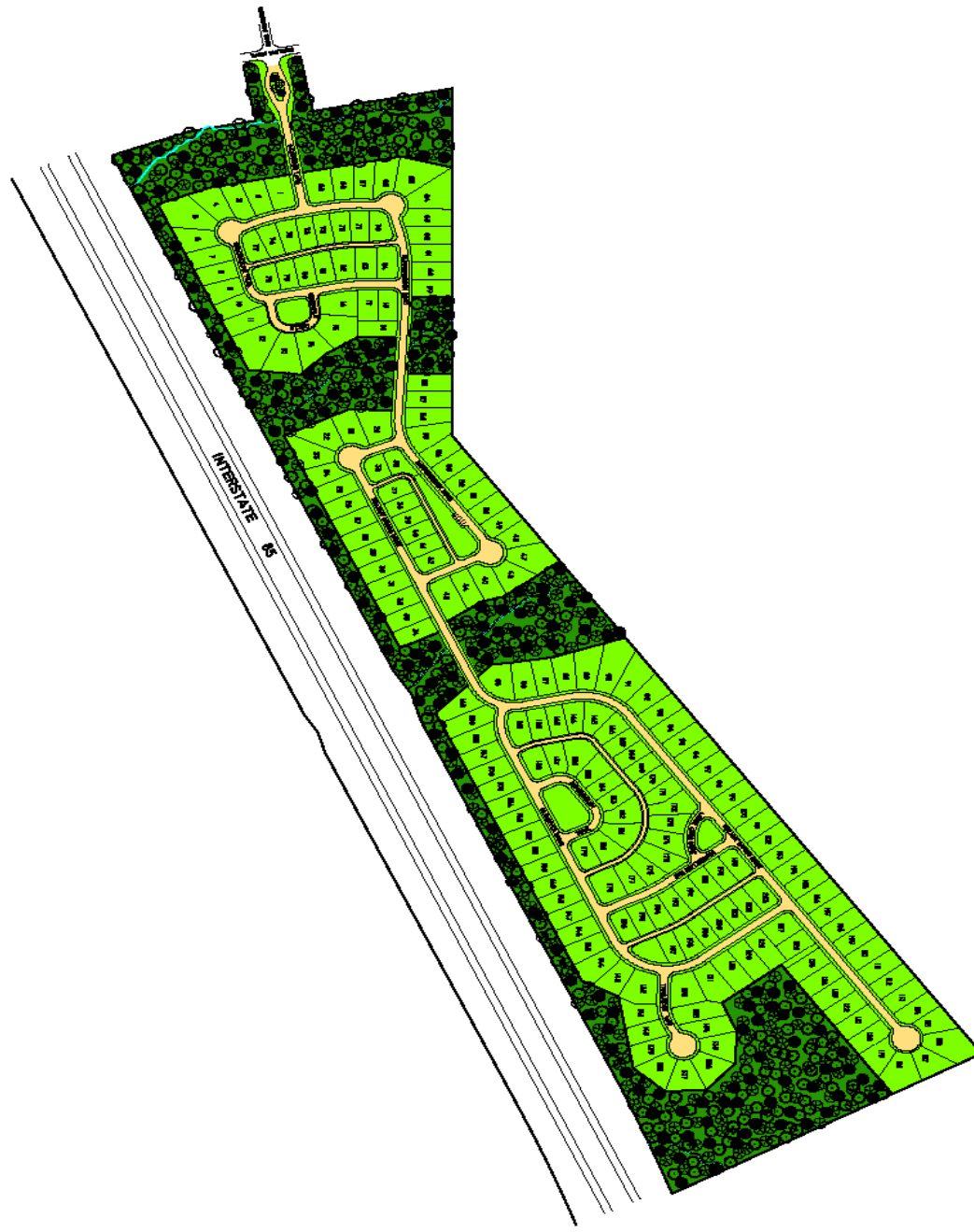






PHYSICAL PRESSURE



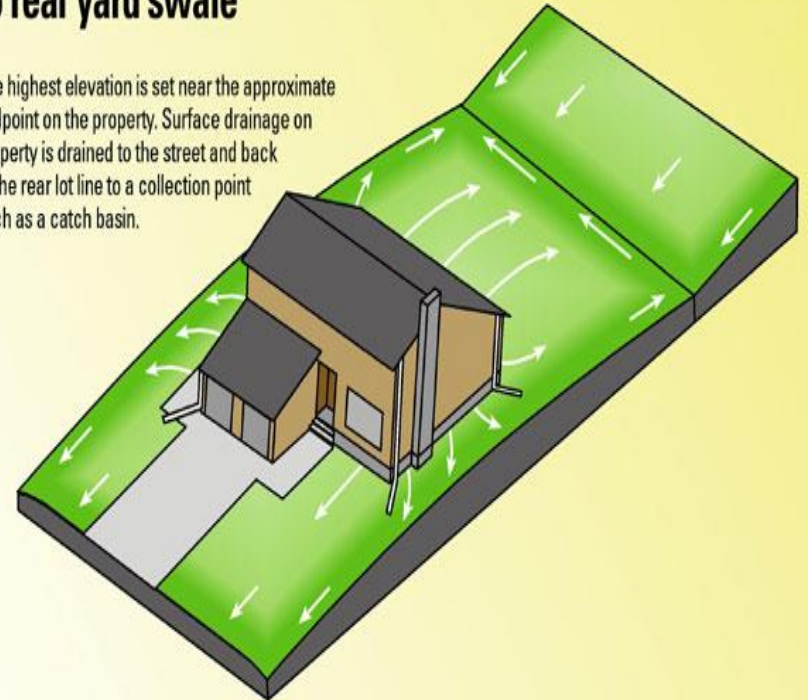


UBIQUITOUS WATER



Example of Split Drainage to rear yard swale

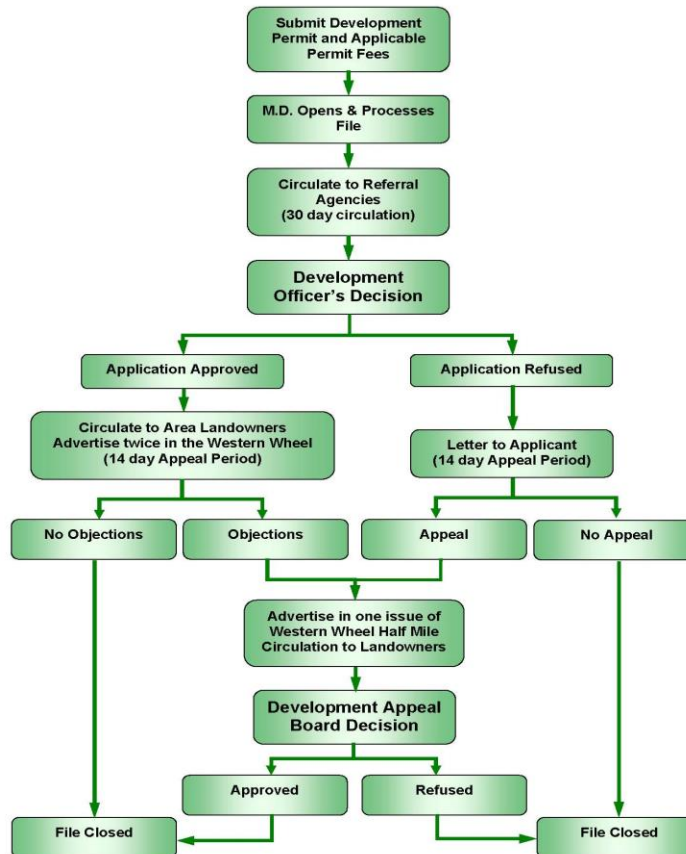
The highest elevation is set near the approximate midpoint on the property. Surface drainage on property is drained to the street and back to the rear lot line to a collection point such as a catch basin.



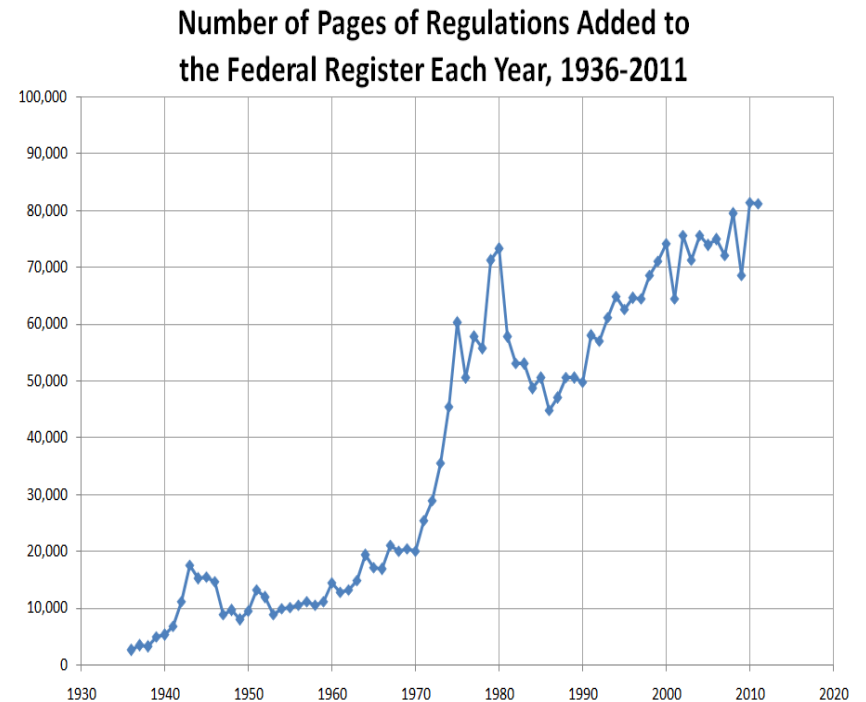
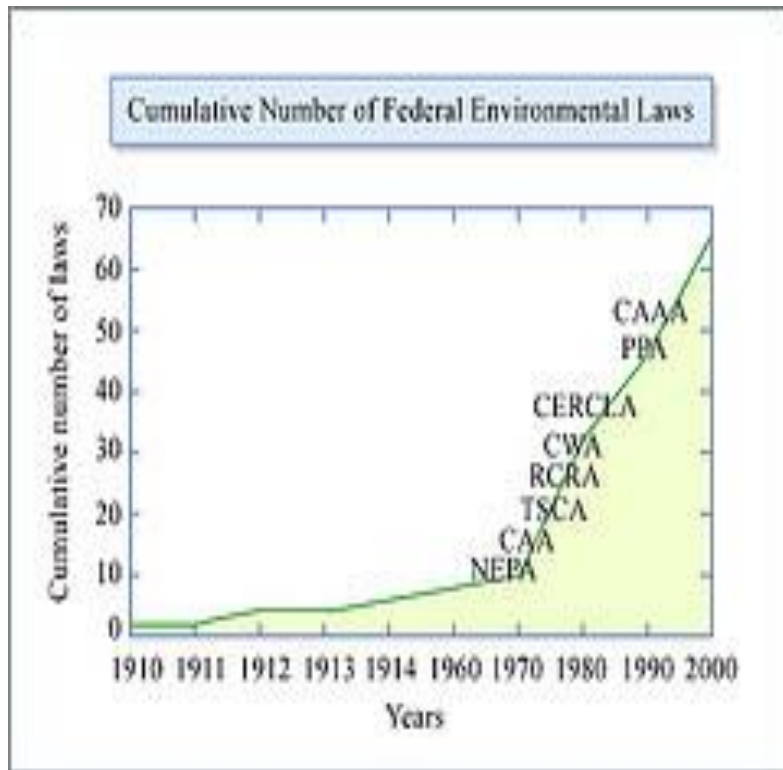
REGULATORY PRESSURE

Development Permit Process Flow Chart

Development Permits take approximately 6-8 weeks to process



FEDERAL



Source: Ten Thousand Commandments

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ENDANGERED SPECIES



IDENTIFIED

- **CANBY'S DROPWORT**



- **SOUTHERN PIGTOE**



STATE

Alphabet Soup...

NTU NPDES
TMDL TSS

CYA!!!



BASIN A	UNDERGROUND INFILTRATION AND DETENTION FOR ALDERBROOK FRONTAGE AND ROOF RUNOFF
BASIN B	OPEN BOTTOM DETENTION/INFILTRATION VAULT (B1) UNDER DECK AND LANDSCAPED INFILTRATION/ DETENTION POND (B2)
BASIN C	OPEN BOTTOM DETENTION/INFILTRATION VAULT (C1) UNDER DECK AND LANDSCAPED INFILTRATION/ DETENTION POND (C2)

URBAN CONSERVATION DEVELOPMENT

21 UNITS
2.6 ACRES
34% TREE SAVE AREA
20%-50% REDUCTION IN STORM WATER RUNOFF FROM PREDEVELOPED CONDITIONS

ALL TREES SHOWN ARE ORIGINAL SAVED TREES

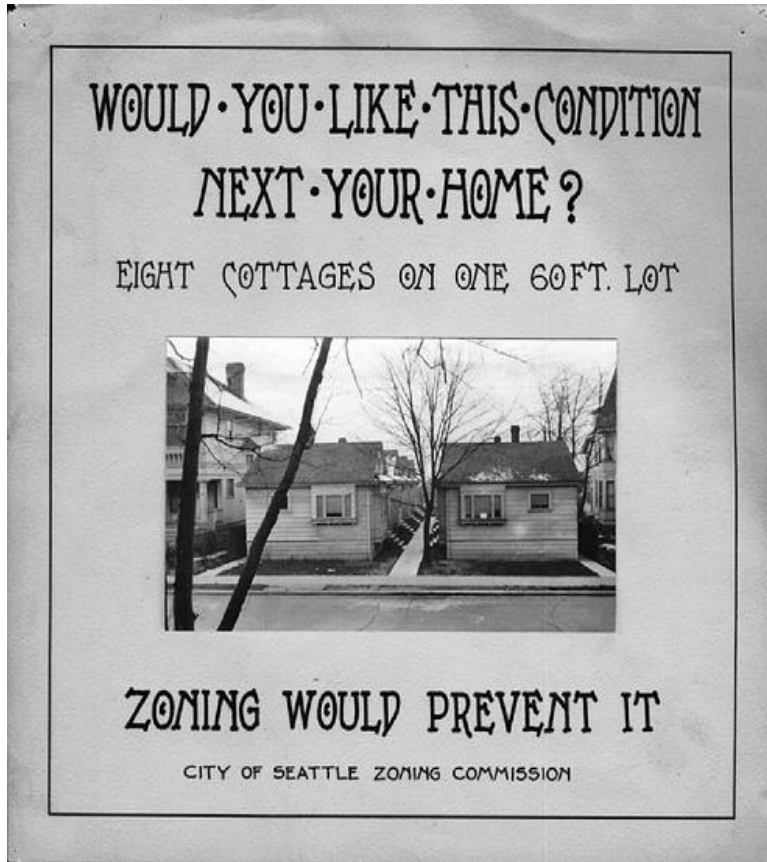


DAVIS OAKS

STORM WATER MANAGEMENT



LOCAL



MIXED INCOME COMMUNITY



CONSERVATION COMMUNITY



MARKET PRESSURE

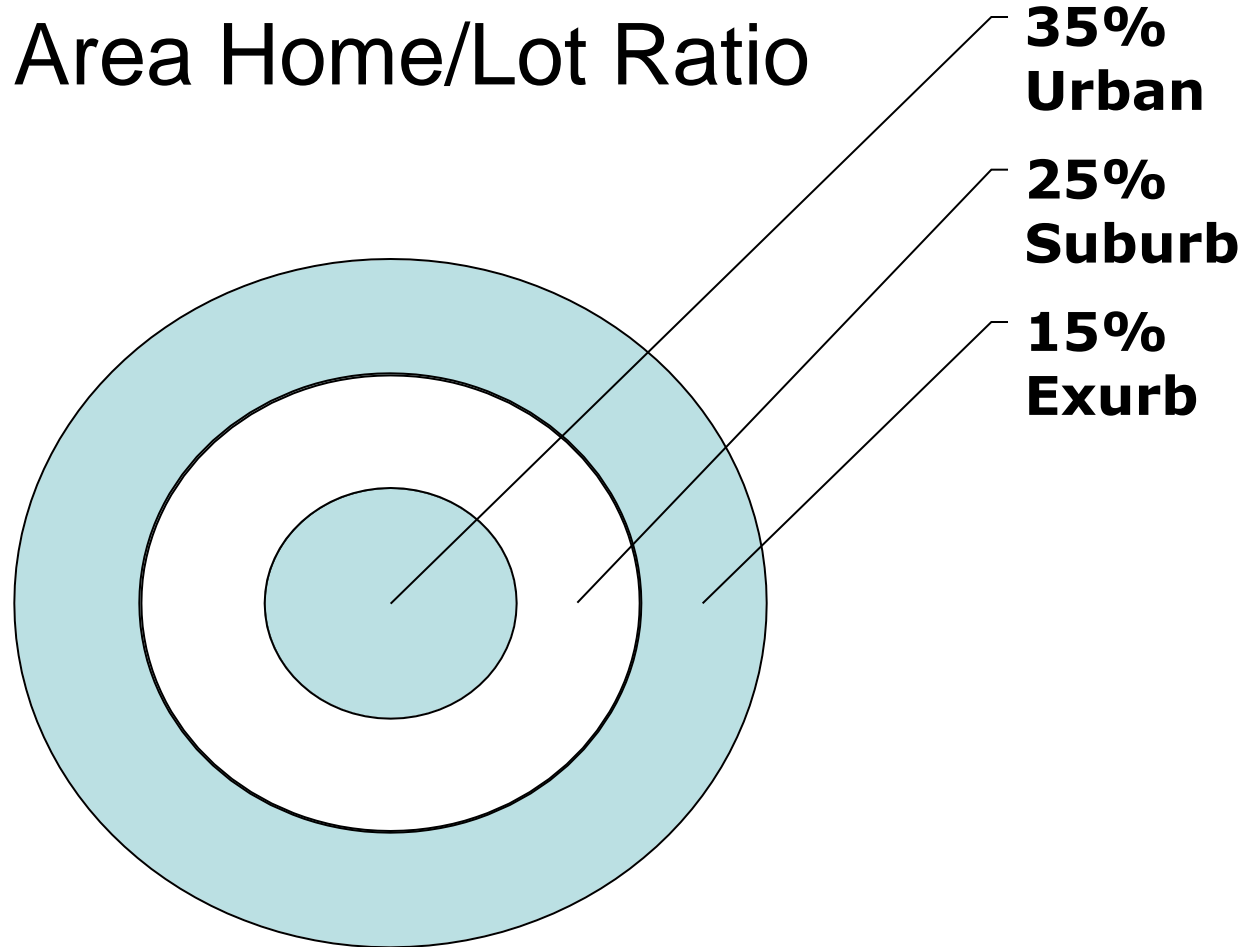
- DEMAND

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

- SUPPLY

- Land Availability
- Location
- Market Area Ratio
- Competition
- Delivery Time

Market Area Home/Lot Ratio



- $\$150,000 \times .35 = \$52,500$
 - $\$150,000 \times .25 = \$37,500$
 - $\$150,000 \times .15 = \$22,500$
- | |
|--|
| $900 \text{ sq ft} \times \$1.50 = \$1350$ |
| $900 \text{ sq ft} \times \$1.00 = \$900$ |
| $900 \text{ sq ft} \times \$.85 = \$765$ |

Increased Cost vs. Sales Price

Project 28

Sales Price	Land Costs	Direct Costs	Gross Margin	Soft Costs	Profit
\$142,180	\$30,000	\$75,064	\$37,116	\$19,974	\$17,142
	21.10%	52.79%	26.10%	14.04%	12.05%

Cost of Lot Increases by \$1.00

$$\text{\$1.00} \times 100/21.1 = \text{\$4.74}$$

Cost of Construction Increases by \$1.00

$$\text{\$1.00} \times 100/52.79 = \text{\$1.89}$$

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

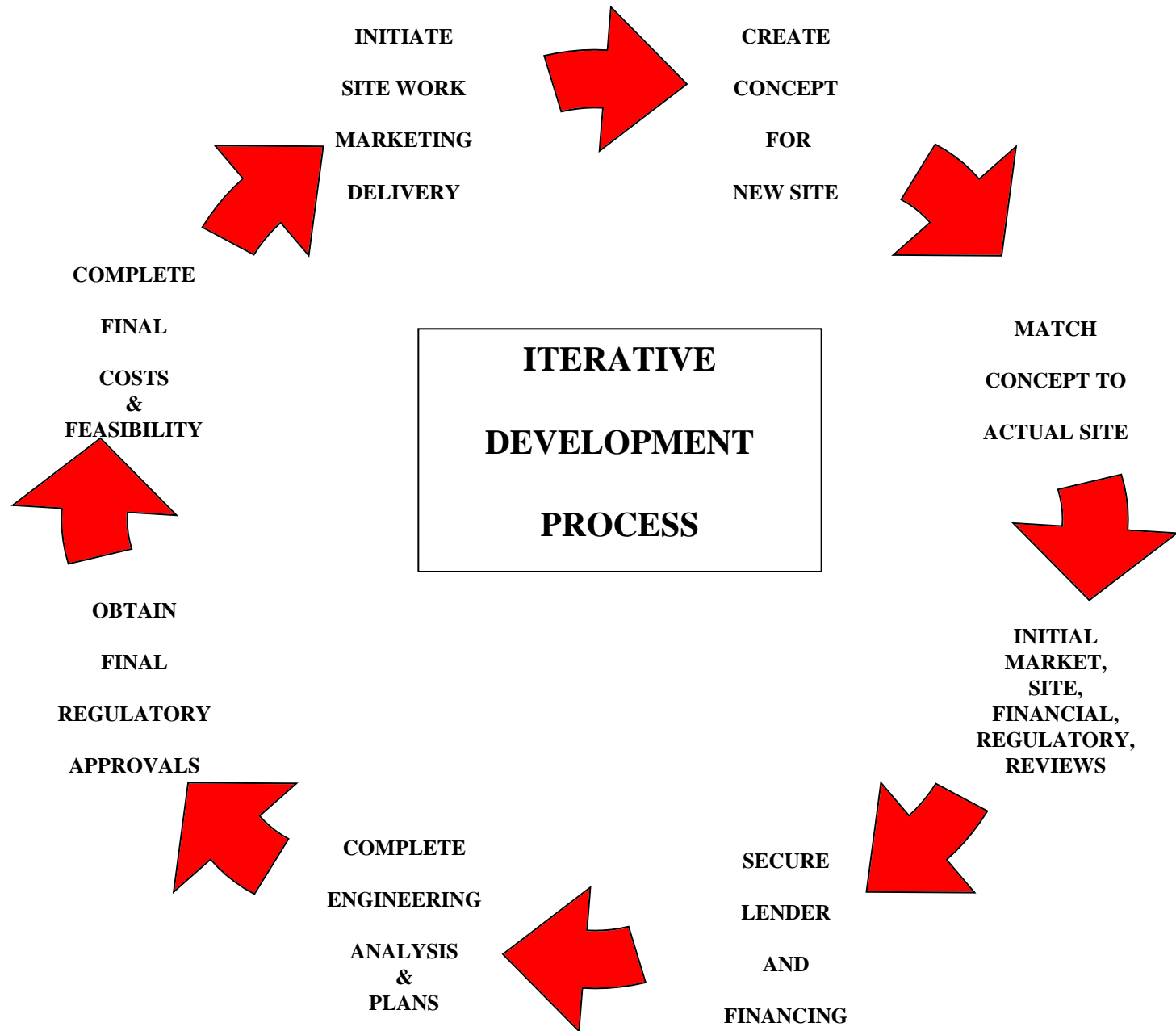
- Value of unit = $\text{Ann rent} - \text{ann oper ex} / \text{cap rate}$
- Value of a community = value of unit x number of units
- Number of units = density per acre
- Loan = value of community x 70% or
- Loan = cost of community x 85%
- Equity (cash) = total cost – loan
- Equity return = permanent 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



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**

