Recap of the Housing Problems

There are two types of **economic** housing problems as we discussed in the first session:

- **Affordability** – how much families are able and willing to pay for housing given the fair market values.rents

- **Disinvestment** – lack of investment in areas where the cost to develop housing does not provide developers a competitive return on their investment
Today we explore the first of 3 economic solutions:

- **Reduce Development Costs**
- **Increase the availability of capital**
- **Reduce the cost of capital**
Requirements for Successful Residential Development

• Accurate estimate of costs

• Rely on **market value** for sales price on for-sale units

• Rely on **market rents** for rental units
  • Different from affordability

• Accurate understanding of the demand for housing to be produced including absorption and affordability

• Effective management to control production & financing costs
Understanding the Development Process

- Site identification
- Market analysis
- Design / budgeting
- Financing*
  - Construction
  - Permanent
- Land Development
- Construction
- Sales or leasing
Site Identification

- Absence of negatives – crime, noise, pollution
- Access to employment center / options
- Schools
- Amenities – parks, recreation activities, daycares
- Properly zoned preferred
- Easily serviced by roads, water, power, sewer
- Available for sale at reasonable price/terms
Market Analysis

Must answer basic questions:

• Who wants to live there?
• What type of home are they looking for?
• How much can they (will they) pay?
• How deep is the market?

Appraisal is key part of the market analysis

• Provides estimate of sales prices or rents
• Determines how much private financing is available
• Appraisal provides an opinion of fair market value
Design / Budgeting

Land
- Acquisition
- Site improvements
- Off-sites
- Platting/Zoning Fees

Fees
- Architectural and engineering
- Legal and accounting
- Construction management
- Permits

Financing
- Construction interest
- Loan fees
- Appraisal

Construction
- New construction
- Modular
- Rehab

Sales / Leasing costs

Profit and overhead
Key Cost Issues

- Density / cost of finished lots or height restrictions based on zoning
  - Incentive Zoning (also known as Density Bonus)
  - Accessory Dwelling Units
- Regulatory requirements on residential development
  - Parkland dedication fees
  - Tree mitigation (variable)
- Holding costs
  - Investment in non-revenue producing assets like models, common area amenities
  - Rate of sales or lease up
  - Construction delays
  - Entitlements (zoning, permitting, etc.) delays
Market Value Analysis

- A Market Value Analysis (MVA) will help with site selection to some extent
  - Choose sites that are closer to market strength so costs to develop are closer to Fair Market Values / Rents
  - Identify areas where *Incentive Zoning* is appropriate
  - Identify areas where *Accessory Dwelling Units* can help add housing units and for which target price points

- Identify areas where the City’s land banking strategy should be focused

- Identify where designation of *Neighborhood Empowerment Zones* are appropriate
  - provide benefits like permit fee waivers for homeowners, property tax freeze

- Provide certainty of where Housing Tax Credit Projects will receive City support
## Understanding the Housing Market

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<tbody>
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<td>$412,000</td>
<td>0.34</td>
<td>62%</td>
<td>9.9%</td>
<td>25.9%</td>
<td>&gt;1%</td>
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<td>B (22)</td>
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<td>C (6)</td>
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<td>23.2%</td>
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<td>D (43)</td>
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<td>77%</td>
<td>0.4%</td>
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<td>E (32)</td>
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<td>0.9%</td>
<td>93%</td>
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<tr>
<td>F (8)</td>
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<tr>
<td>G (32)</td>
<td>$126,000</td>
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<td>0.7%</td>
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<tr>
<td><strong>Avg. Irving Block Group</strong></td>
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<td><strong>2.6%</strong></td>
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<td><strong>3%</strong></td>
<td><strong>1%</strong></td>
<td><strong>0.5%</strong></td>
<td><strong>45%</strong></td>
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## SAMPLE TABLE OF INTERVENTIONS BY MARKET TYPES

<table>
<thead>
<tr>
<th>Proposed Type of Activities</th>
<th>Market Value Analysis</th>
<th>Market Types</th>
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<tbody>
<tr>
<td>Owner-Occupied Home Repair</td>
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<tr>
<td>Single-Family Rental Home Repair</td>
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<td>Infill Lot Development</td>
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<td>Landbanking</td>
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<td>Code Lien Foreclosures</td>
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<td>Neighborhood Empowerment Zones</td>
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<tr>
<td>Opportunity Zones</td>
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<td>City's Second Mortgage Assistance Program</td>
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<tr>
<td>Multi-Family New Construction</td>
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<tr>
<td>Multi-Family Rehab</td>
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<tr>
<td>Neighborhood Revitalization Strategy Area Designation</td>
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<td>Code home repair fund through fee assessment</td>
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<td>Code Academy</td>
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<tr>
<td>Designate Tax Increment Reinvestment Zone</td>
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<td>Create Neighborhood Association</td>
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<td>Neighborhood Sweep</td>
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<td>Neighborhood Beautification Projects</td>
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<tr>
<td>Low Income Housing Tax Credit City support</td>
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Polling Questions

1) For those already involved in residential development, what represents the highest per unit cost burden in your projects?
   a. Fees – permit, zoning, other entitlement
   b. Carrying costs associated with the entitlement process
   c. Labor
   d. Material
   e. Acquisition

2) What costs vary so much from project to project that it makes it difficult for you to budget or estimate your project costs?

3) What other ways could we help increase the production of housing in Irving?

The next meetings will cover topics to help identify ways to reduce financing costs, increase access to capital and new programs to help address the problem in a comprehensive manner.

Please send questions to: planning@cityofirving.org