ECONOMICS OF INFILL DEVELOPMENT, INCLUDING THE DEVELOPER PERSPECTIVE

Dena Belzer & Marilee Utter
Presentation Overview

1. Making the Infill Case to the Policy Makers
2. Setting Up the Developers to Succeed – Policy Perspective
3. Setting Up the Developers to Succeed – Developer Perspective
4. Concluding Thoughts
Making the Infill Case to Policy Makers
Housing Demand Comes From Many Sources – Even in Small Cities

- Employment Growth
- People Who’s Life Circumstances Are Changing
- Young People Forming New Households

In Billings, All Three Components Are At Work and All Three Will Support Various Kinds of Infill Housing
Employment Growth Often Draws New People to a Community, and Those People May Not Have the Same Housing Preferences As Existing Residents

Billings Employment Trends

Source: BLS Current Employment Survey (blue) and Current Population Survey (Green)
Many Fewer Households Have Children Present Than in Past Decades and Don’t Want/Need SF Detached Homes

- Nationally, the number of families with Children under the age of 18 declined from 24 percent to 21 percent 2000-2010

- In Billings, 30 percent of Family Households have Children under 18
Infill Saves The City Money

Smart growth can lower infrastructure costs

O&M Costs Vary

- Economies of scale for some departments – Public Works, Engineering, etc.
- Requires further analysis needed at the municipal level
- Marginal vs. average costs

Source: Calthorpe Associates; Strategic Economics
Setting Up the Developers to Succeed – Policy Perspective
Need to Consider Local “Levers” for Enhancing Project Feasibility

- Appropriate up-zoning
- Reduced parking ratios
- Increased “place making” amenities
- Revised Building Codes
- Infrastructure Upgrades
Appropriate Up-zoning

3-Story Residential Building with Reduced Parking Standards (in millions of dollars)

<table>
<thead>
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<th>Land Costs</th>
<th>Other Costs¹</th>
<th>City Fees</th>
<th>Construction Costs</th>
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5-Story Residential Building with Reduced Parking Standards (in millions of dollars)

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Developer Revenues
Strategic Public Investments Can Help Boost Property Values

Recent research shows that:

- proximity to neighborhood parks is associated with a 13% increase in home values (Greenville, SC)
- streetscape improvements are associated with a 28% increase in home value (Philadelphia, PA)

Reducing parking requirements for structured parking can save $35,000 per space, reducing overall project construction cost
More Density Isn’t Always More Profitable

![Graph showing the relationship between residual land value per square foot and units per acre for different building densities, including Townhome, 4 Stories over Podium, 5 Stories Wrapping Parking, and 6 Stories +. The graph indicates that more density does not necessarily mean more profit.](image)
“Place making Investments” and Lowered Parking Ratios Make a Difference

- Townhome
- 4 Stories over Podium
- “Dallas Donut”
- 6 Stories +
Setting Up the Developers to Succeed –
Developer Perspective Courtesy of Marilee Utter
Common Public Sector Mistakes

- Thinking infill will happen on its own—especially in moderate income neighborhoods.
- Not setting a strong vision
- Not advocating for the project
- Making greenfield development cheaper/easier than infill
Common Public Sector Mistakes

- Not being prepared to invest in project infrastructure
- Requiring retail on every street
- Requiring all vertical mixed use
- Confusing height and density
- Requiring too much parking
Common Public Sector Mistakes

- Worrying more about land use than land form
- Not setting priority development areas
- Changing the process
- Not hiring development expertise
- Investing in the wrong developer
What Cities Can Do

- Laser focus on priority areas
- Have a clear vision of what you want, and what you’ll do to get it
- Know the market
- Do the hard work with the community *first*
- Have zoning in place
- Have sophisticated development skills
- Have a predictable process
- Be willing to invest
What Developers Can Do

- Pick a good location
- Get the land
- Do it better, if smaller
- Phase it if possible
- Budget extra time
- Buy enough equity
- Respect the City plan
- Find a public sector champion
- Pay for a likeable, trustworthy representative
In Concluding
Many Housing Market Segments Can Benefit from Having Infill Housing as a Option

- Seniors
- Millennials
- New In-migrants
With the Correct Public Support, Infill Projects Can Make Developers Money

- Townhome
- 4 Stories over Podium
- "Dallas Donut"
- 6 Stories +
Different Infill Densities Will Begin to Emerge Over Time, With Proper Planning

Higher density housing types are more costly to build, and will take longer to realize. Rehabilitation of existing buildings is a good short term strategy to provide additional units at lower cost.
Different Areas of the Community Will Need Differing Implementation Strategies to Ensure High Quality Infill Development
LET’S GO !!

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