

Infill and Small Scale Development

*Setting the stage for a presentation by the
Incremental Development Alliance*



Tompkins County Department of Planning and Sustainability

April 24, 2019

County Comprehensive Plan

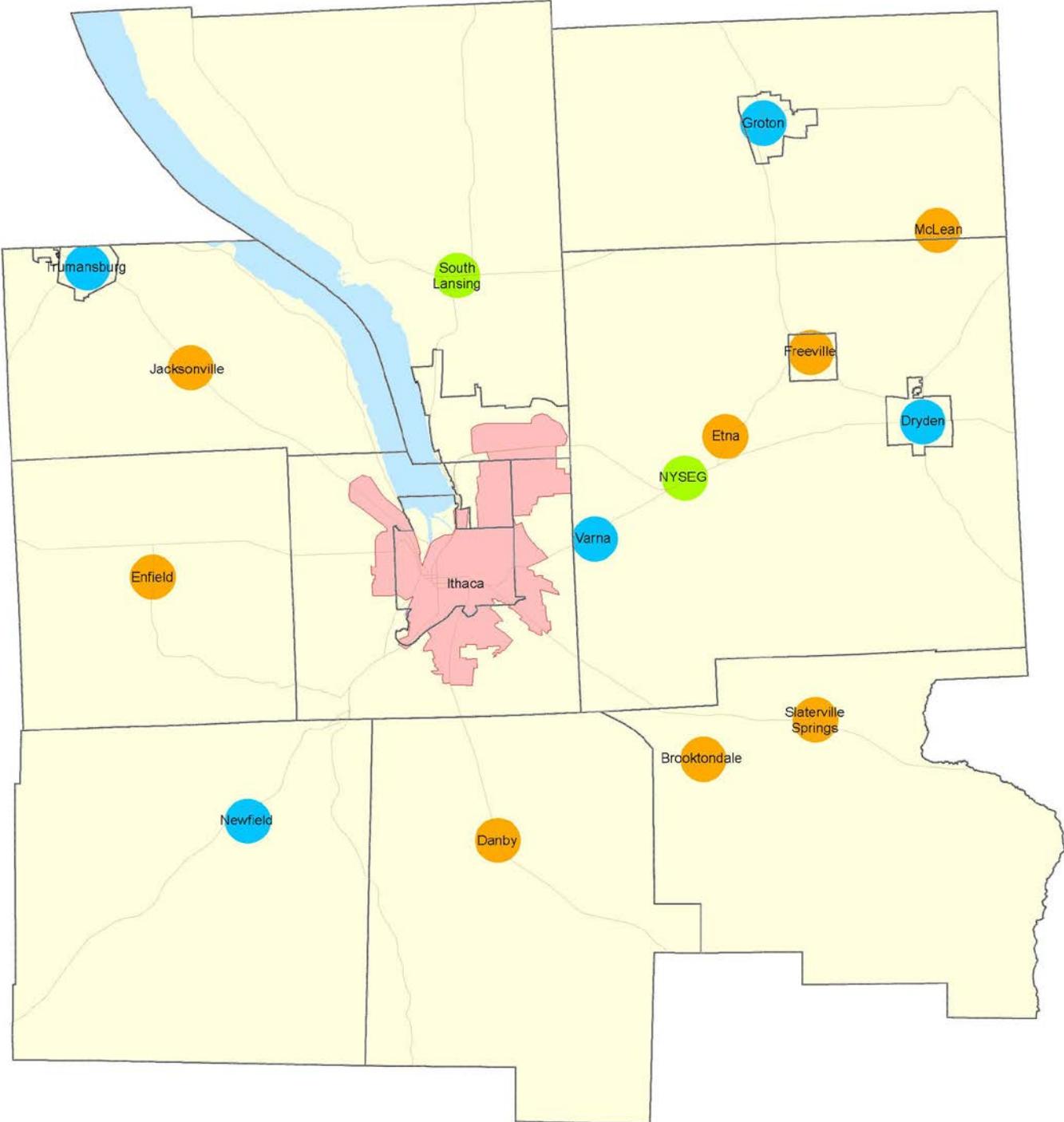


“Taking advantage of infill development opportunities keeps resources where people already live, allows rebuilding to occur, creates density to support transit and other amenities, and is key to accommodating growth that supports the quality of life of existing residents.”

“Infill development requires special design considerations to assure projects fit the surrounding neighborhood, have access to adequate infrastructure to support the new demand for public services, and include design features that will attract new businesses and residents to the development.”

Development Focus Areas

— State Highways
□ Municipal Boundaries



County Housing Strategy

- Infill site analysis to expand and refine our understanding of development potentials within the Development Focus Areas.
- Engaging the local community
- Encouraging alignment of local zoning regulations with desired housing types and locations, and increasing the predictability and timeliness of approval processes for projects that meet these criteria



Partnering with the Incremental Development Alliance (IncDev)

- Fostering comprehensive implementation of plans and strategies across nodes
- IncDev track record
 - Communities of many sizes
 - Variety of stakeholders
 - Fostering local capacity/expertise
 - Private and public sectors, non-profits, higher education

Upcoming Incremental Development Alliance Visits

- **Week of June 24:** half-day seminar (pro forma and more)
- **Week of September 23:** half-day training with local planning staff and planning board members
- **Week of October 21:** zoning and regulatory process review with staff and officials
- Various meetings, conference calls, technical assistance available during and between visits
- More info:
<http://tompkinscountyny.gov/planning/community-planning>; 607-274-5560, planning@tompkins-co.org

Introduction to the Small Development Movement

Bernice Radle - Owner of Buffalove Development & Little Wheel Restoration Co., Zoning Board of Appeals Member for the City of Buffalo & Faculty Member of the Incremental Development Alliance.

@IncDevAlliance | Bernice@buffalovedevelopment.com



Hello Friends!

I'm just a little lady with a dollar and a dream.





Cultivating 1000 small developers
and cities that support them

IncDev Mission:
We Teach and Nurture Implementers

.....

Train small business owners, neighborhood advocates, design/real estate professionals, builders and others to become small developers

Coach civic groups and government agencies on how to create a thriving ecosystem for small developers and entrepreneurs

Connect a continent of neighborhood level doers to celebrate success and share field notes through opportunistic alliances





One to Three Stories, In Your Neighborhood
Constantly Evolving, Regenerating



Neighborhood



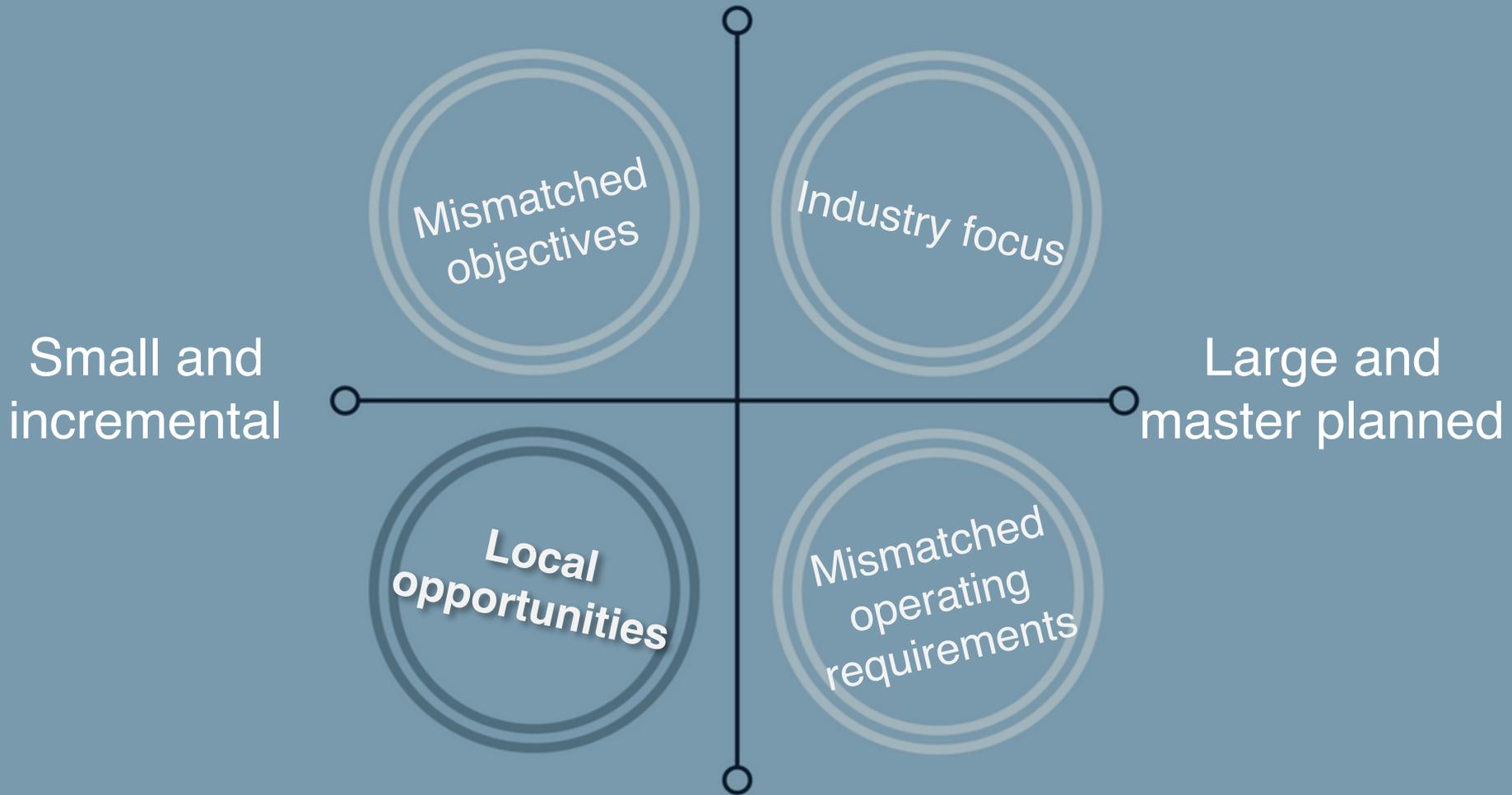
Block



Lot



Corporate and institutional



Entrepreneurial and bootstrapped

What Do We Hope to See in the World?



Building of Intergenerational Wealth

Families

Leverage Building as
Income Source

Provide Lifecycle
Housing Choice

Communities

Flexible and Adaptable
Buildings

Anti-Fragile
Tax Base



A Show in Three Acts



The Challenge

The Power of Incremental

The IncDev Approach



Overcoming Challenges to Small Scale Projects



Are you getting
the kinds of
real estate projects
you want to see?



Why Not??



Habit of Extractive Land Development

We Don't Regenerate
Like We Used To....



Culture of Throwaway
Buildings

Land Held in Hands of
Few

Municipal Tax Base

Tyranny of Amortization

Creating a Job vs Building Wealth



Need \$500,000 To Start
Wealth Leaves

Job: Store Manager



Builds \$500,000 Over Lifetime
Wealth Stays

Wealth: Business and
Building Owner



One Story Mixed Use

Commercial Front, Residential Back



Current State of the Development Industry

Chronic Specialization

Patchwork Quilt of
Arcane Regulation

Neighborhood Opposition
and NIMBY's

Construction Labor Shortage



And if that wasn't
enough...



62%

of US housing stock is single-family detached homes as of 2012 (HUD, 2014)



83%

of households in the US will have no children by 2030

According to Arthur C. Nelson, *Reshaping Metropolitan America*



Mismatch of Buildings to People

What we have and what we need don't fit well



Goldilocks Problem:
Don't have enough of the
'just right' buildings

National demographics
shifting to smaller units for
single person households

Overheated real estate
markets walkable
neighborhoods due to lack
of supply of them

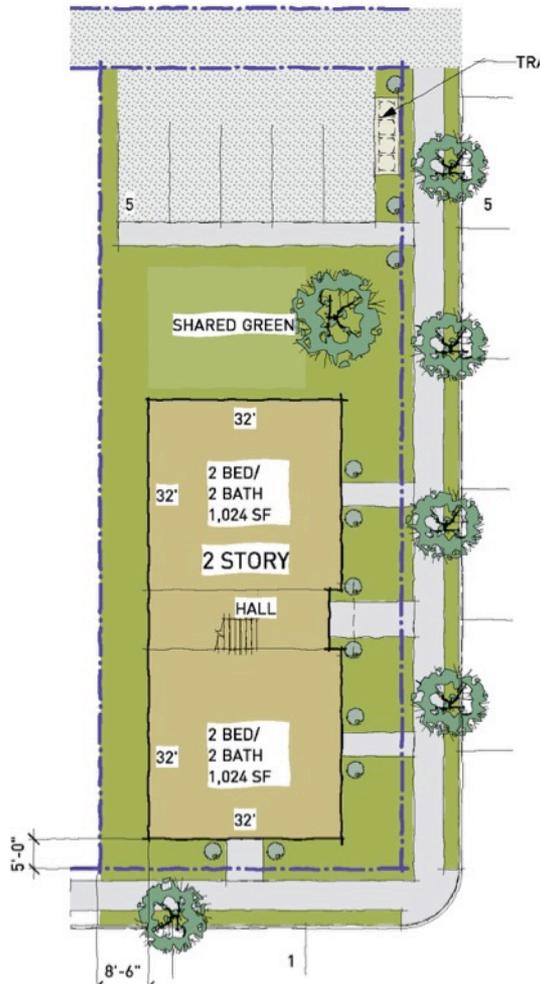


Apartments in Despair





Simple, Rectangular, Lovable



The City of Grayling

Net Annual Market Potential for New-Builds



5
Cottage
House



4
Fourplex
Townhse



2
Above
Retail



4
Lofts
Flats



You Have a Choice for How to Meet the Demand



And yes, there are a lot of challenges to small projects...

**NO ONE SAID IT
WOULD BE EASY**



The Power of Incremental



How many ways can you wear a...



**Little Black
Dress**

Dress it up or dress it down



Simplicity
is the keynote
of all true
elegance.

-Coco Chanel



Black Dress, Blue Blazer Buildings



Building Types



Opticos Design coined the phrase "Missing Middle Housing"

www.missingmiddlehousing.org



Not Enough Small Developers to Fill The Demand

Who Know How to Work at the Lot by
Lot Level



Small Building Thresholds

Building Code

International Residential
Code (IRC)

Financing Mechanism

Residential Mortgage
(30 Year Term)

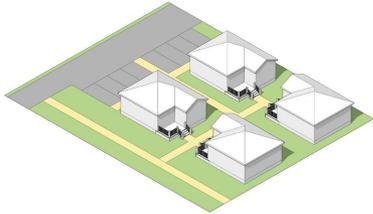
International Building Code
(IBC)

Commercial Loan
(3-10 Year Term)

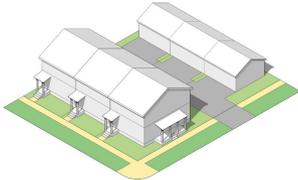
ZONING



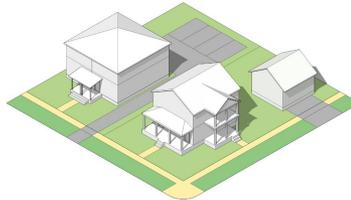
IRC BUILDINGS + 30 YR MORTGAGE



COTTAGES
UP TO 4 ON PARCEL

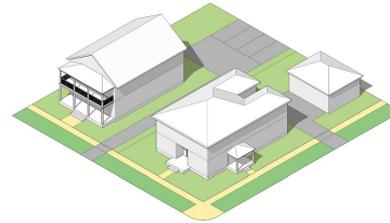


TOWNHOUSE
(UP TO 4 UNITS)

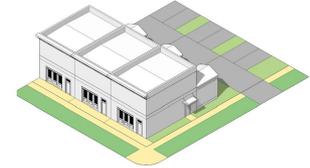


DUPLEX
(IDENTICAL UNITS)

IBC BUILDINGS + 30 YEAR MORTGAGE

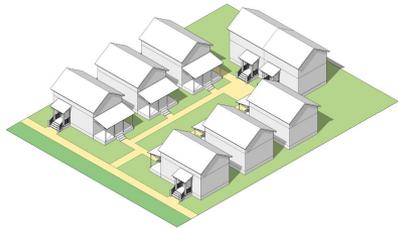


MULTIPLEX
3-4 UNITS



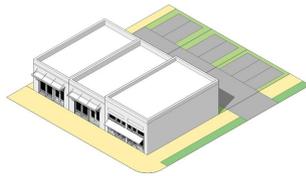
LIVELWORK
RESIDENTIAL ABOVE

IRC BUILDINGS + COMMERCIAL MORTGAGE

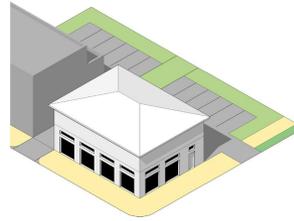


COTTAGE COURT
5 OR MORE UNITS ON PARCEL

IBC BUILDINGS + COMMERCIAL MORTGAGES

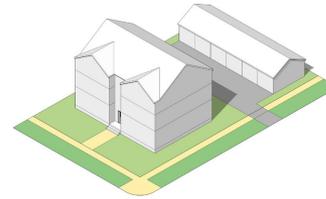


COMMERCIAL
1-STORY

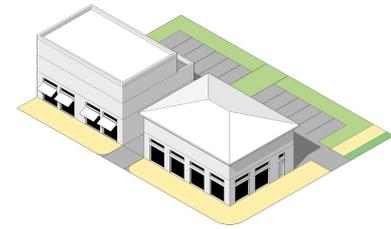


MIXED USE REHAB
MAX. 3 UNITS PER FLOOR

IBC BUILDINGS + COMMERCIAL MORTGAGES



MULTIPLEX
5-12 UNITS



MIXED USE
2-3 STORY, GF RETAIL

PERSONAL CASH/DEBT



TENT MARKETS
(TEMPORARY)



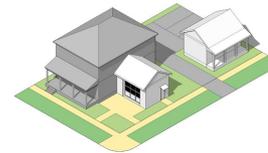
FOOD TRUCKS
(TEMPORARY)



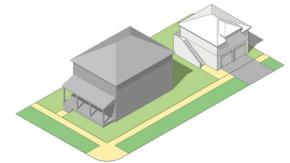
TRAILERS
(UTILITIES)



MICRO-RETAIL
(UTILITIES)



SHOPHOUSE
ATTACHED OR DETACHED



ACCESSORY DWELLING
DETACHED (REAR)

A Way to Start



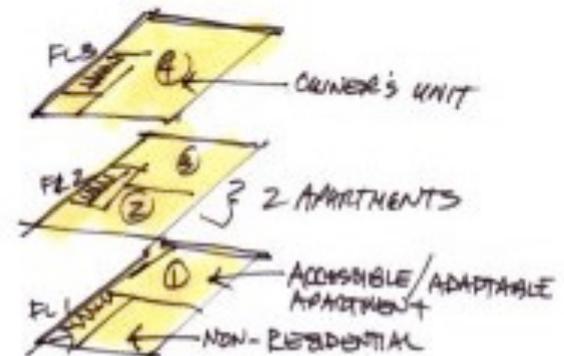
Buy an Existing Building



A Way to Start



Rehab a 'House'



A Way to Start



Build a Four-Plex

Up to 4 residential units +
up to an additional 49% of
the total square footage
can be non-residential

Financed with Local Bank
Construction Loan + 30
year mortgage



A Way to Start As a Champion

- Fix Any Outdating Zoning Rules
- Do the Math on Resiliency, Not Just Bottom Line
- Stop Guessing How Much Parking to Require
- Rally Your Neighbors to Get Behind Small
- Look at your Building and Stormwater Codes
- Reinvigorate Building Trades Training



Zoning and Regulatory Process Review



The IncDev Approach



**Commit yourself to a place
you love that needs you.**



Take the next smallest step.



Focus on building a stronger neighborhood, one project at a time.



**Learn the rules so you can maximize
the opportunity within them.**



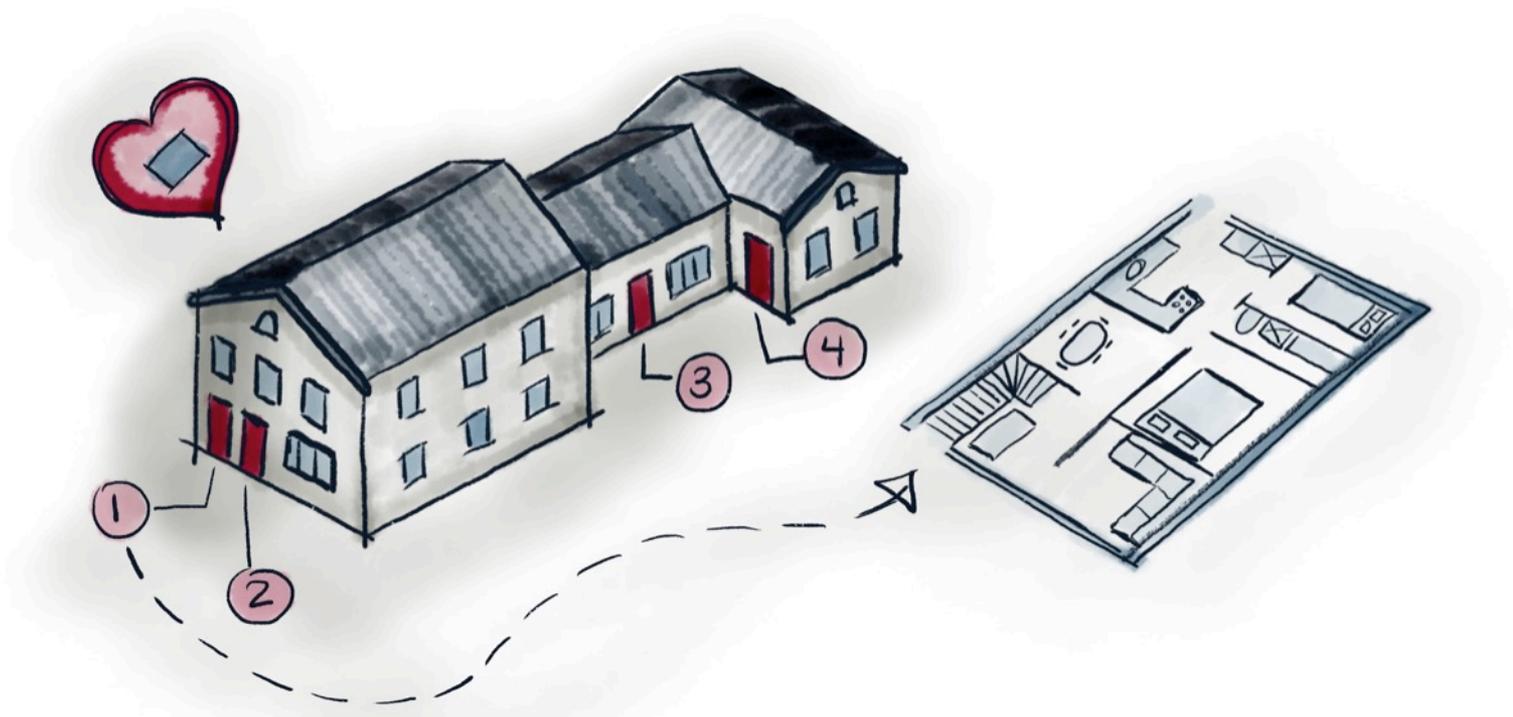
Opt for cozy & human scaled



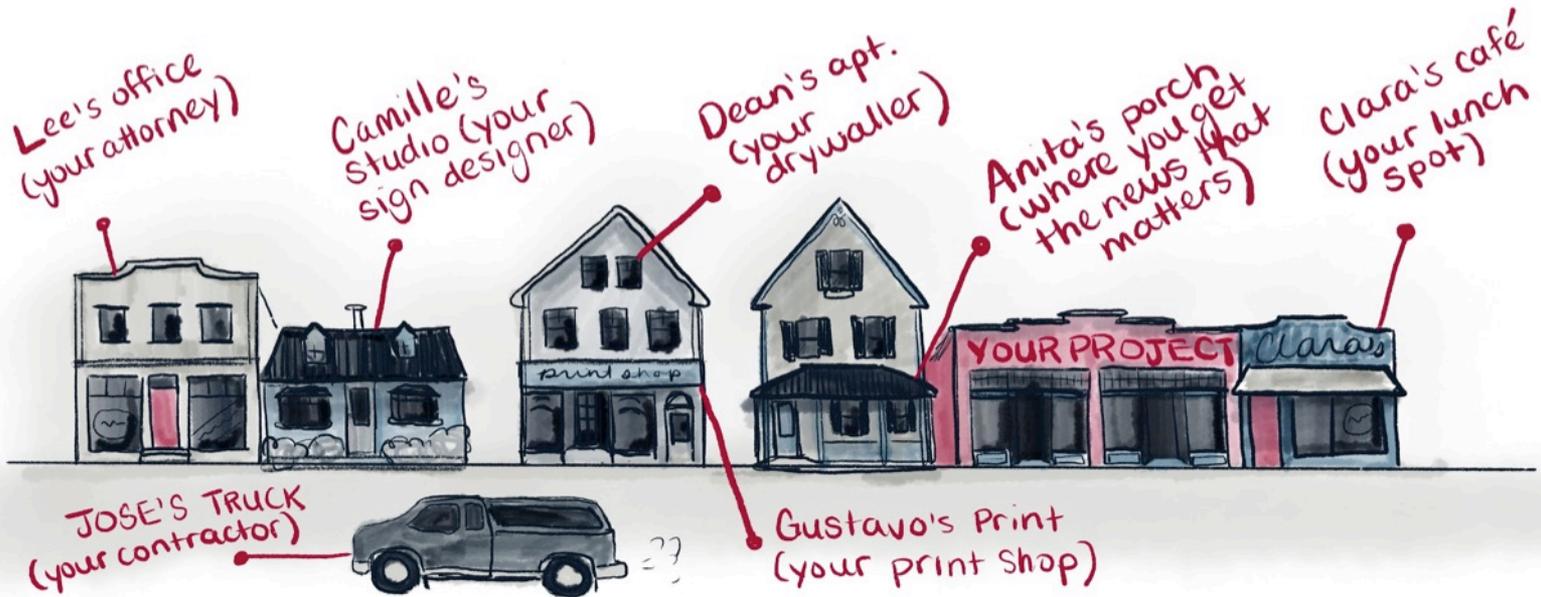
REMEMBER THE
TEDDY BEAR PRINCIPLE.
SMALL IS LOVEABLE,
SMART, AND FRUGAL.
JUST ASK STEVE
MOUZON.

Build in rectangles that can adapt and improve over time.

.....



Employ, support, and partner with locals, creating stewards of the neighborhood.



Rightsize regulation and re-legalize time-honored buildings.



Build things that give more than they take.





Cultivate Your Neighborhood



How are we gonna get something done?

- Find locals who cares about their neighborhood and are willing to learn
- Patch the local systems and build networks to support them long term
- Work in small steps, make little mistakes early



The Home Stretch



Here's Where You Come In

There's a low barrier to entry



Who We Need

Potential Small Developers

Known as Operating Partners, the people doing the work full time or on the side

Potential Investment Partners

Known as Money Partners Through Land Ownership or Financial Equity/Debt

Small Development Champions

Folks who care about their city/neighborhood and are going to support change happening so the two groups above can do their jobs right



Small Developers



- Real Estate Development Professional (perhaps working at a larger scale entity) or Non-Profit Organization Developer
- Real Estate Agent, Broker, or Property Manager
- Architect, Urban Designer, Engineers, Landscape Architect, Urban Planner, Attorney
- Construction Contractor, Home Builder or Tradesperson
- Small Business Owner (In a related or unrelated industry to those above)



Small Investors

- Local Community Banker or Loan Originators (For Profit or Non Profit)
- Property owners of any size or type
- Retired individuals from high net worth industry or position
- Private equity, angel or local investment/wealth management professionals
- Professionals from land banks/trusts, redevelopment agencies
- Program Officer or Executives from local Foundations



Small Development Champions

- City Management, City Planning, Housing, Community or Economic Development Professionals
- Elected Officials, Aides to City Official, Manager or Legislator, Planning Commissioners
- County, Regional or State Government/Agency in Housing or Economic Development
- Non-Profit Organization Professional, Neighborhood Leader/Volunteer/Professional, College or University Leader
- Business Association, Chamber or Trade Group Leader



What Will I Learn at a 1/2 Day Seminar?

Open to ALL

Public Sector
Private Sector
Non-Profit Sector



The Project Formation Process

Conventional Financing
Thresholds

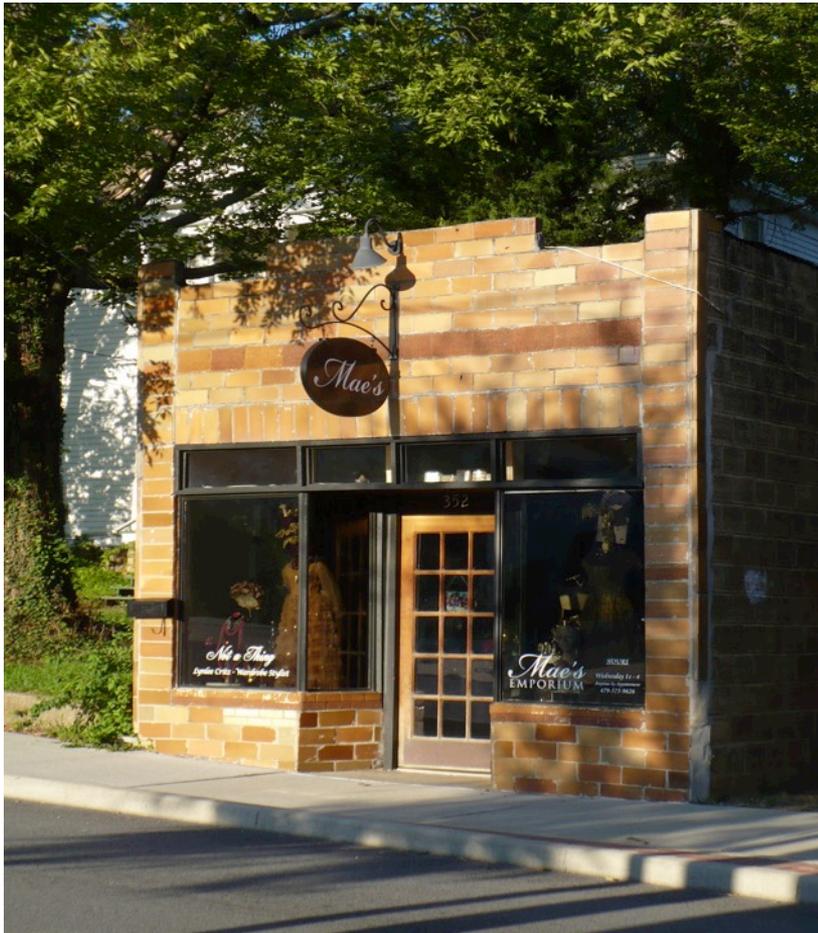
Building Types and
Site Planning

Financial Pro forma

Asking for Money

Practice Project

Scale Matters

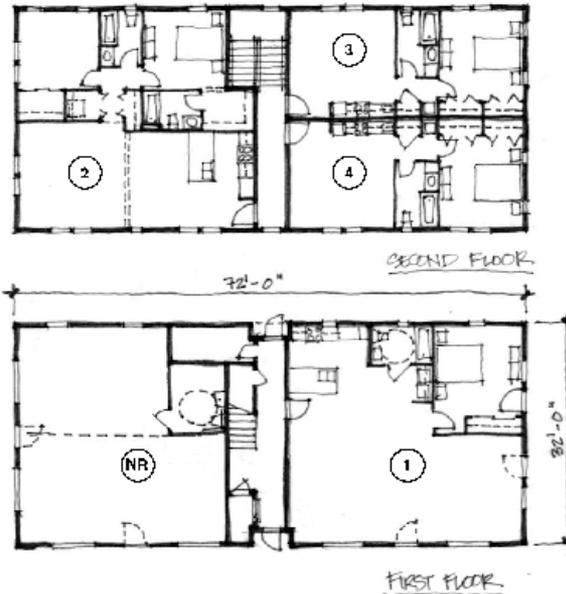


Follow the Finances (to Form)

Unit	Program	Area
1	1BR - Flat Fl.	1,380 SF
2	2BR - Second Fl.	1,034 SF
3	1BR (#1) - Second Fl.	540 SF
4	1BR (#2) - Second Fl.	540 SF
Common Area		188 SF
Residential Subtotal		3,682 SF
NR	Non-Residential	906 SF
Total		4,588 SF

19.1% of the building is non-residential.

FHA regulations allow for a maximum of 20% non-residential.



4F: NOI and Cap Rate Analysis

Schedule of Rent as of 12/31/2014 (Actuals - \$K)

12/31/2014 Rent Schedule for Units 1, 2, 3, 4 and NR

Project Costs

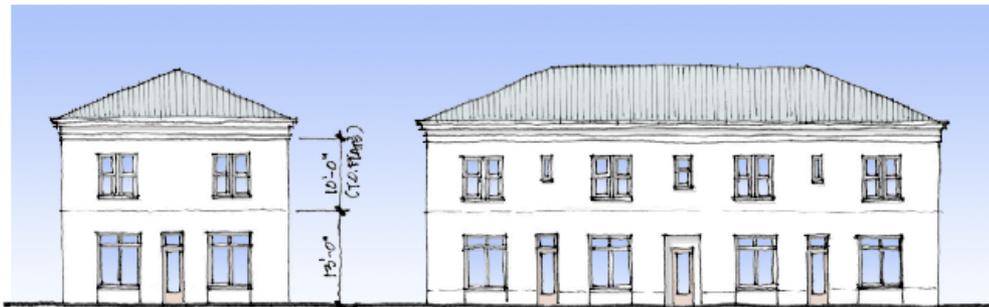
Lease Cost	\$64,842	188% of price	\$46.72 per sq ft	10% of proceeds
Construction Costs	\$410,222		\$112 per sq ft	67% of proceeds
Construction Contingency	\$102,440		\$28 per sq ft	26% of proceeds
Total Costs	\$577,504		\$126 per sq ft	96% of proceeds

Net Operating Income

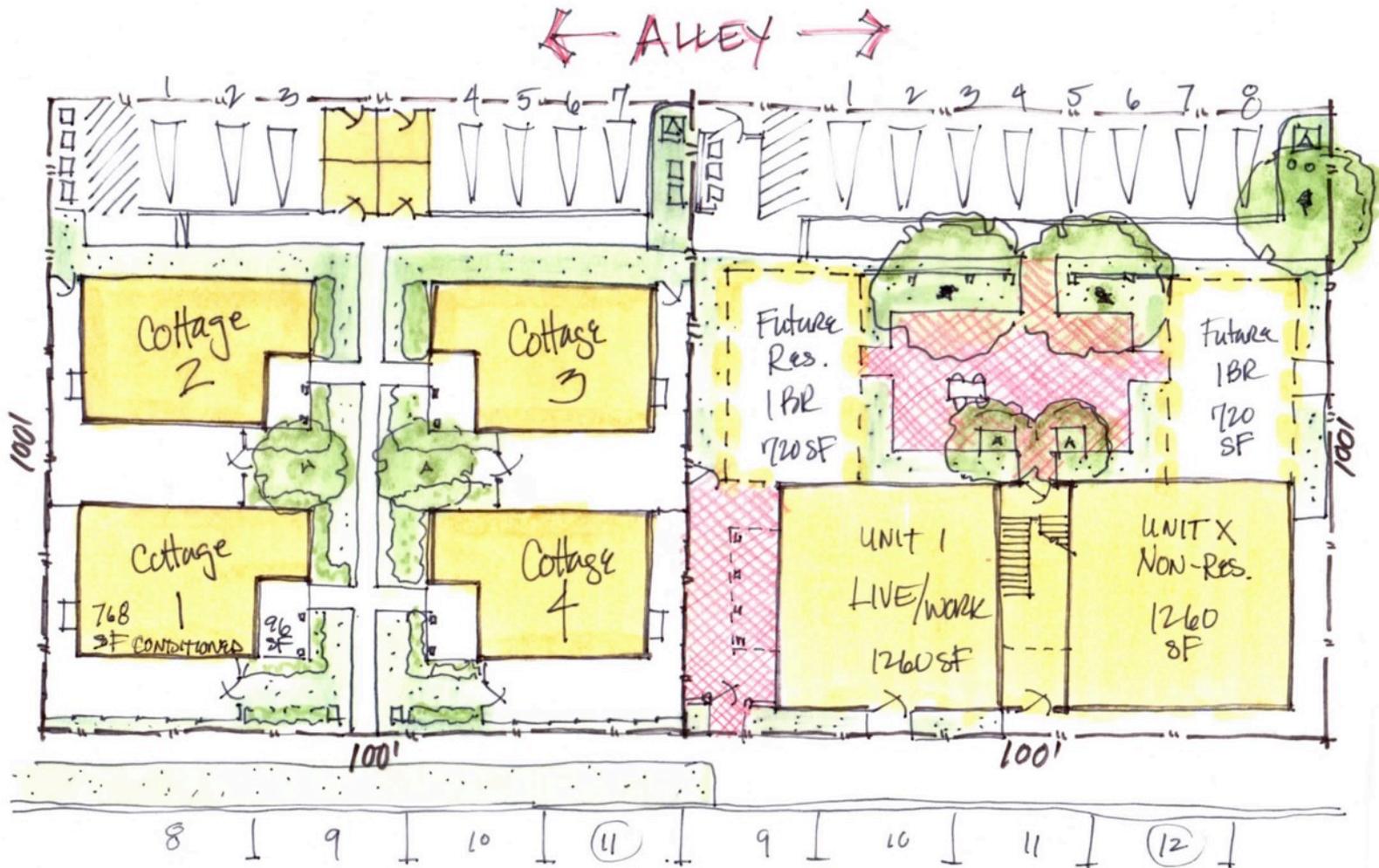
Business Assumption	Rate	SF	Monthly Rent	Annual Rent	
42-1BR Units	\$1.22	1,380	\$1,686	\$20,232	
47-2BR Units	\$1.19	1,034	\$1,240	\$14,880	
42-1BR Units	\$1.22	540	\$658	\$7,896	
42-1BR Units	\$1.22	540	\$658	\$7,896	
Common Area		188			
Non-Residential (NR)	\$1.25	906	\$1,125	\$13,500	\$27,714
Annual Rent	70% of SF	4,282	\$4,768	\$57,456	\$57,456
Operating Expenses	1.4%	4,282	\$608	\$7,296	\$50,160
Annual Operating Expenses (Res. Only) from Section 8000					
Property Management	1.00%	2,722	\$272	\$3,264	
Insurance			\$22,888	\$274,656	
Real Estate Tax			\$22,888	\$274,656	
Utilities and SL			\$22,888	\$274,656	
Reserve for Repairs	1.00%	2,722	\$272	\$3,264	
Depreciation			\$22,888	\$274,656	
Landscaping			\$22,888	\$274,656	
Operating Expenses	1.4%	4,282	\$608	\$7,296	\$10,560
Net Operating Income (NOI)					\$46,896
NOI as % of Annual Rent					81.4%

Cash Flow

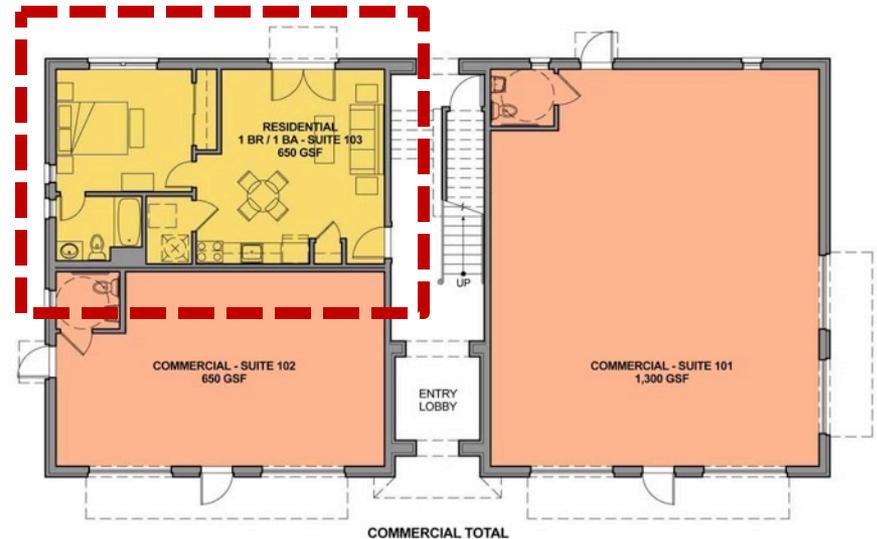
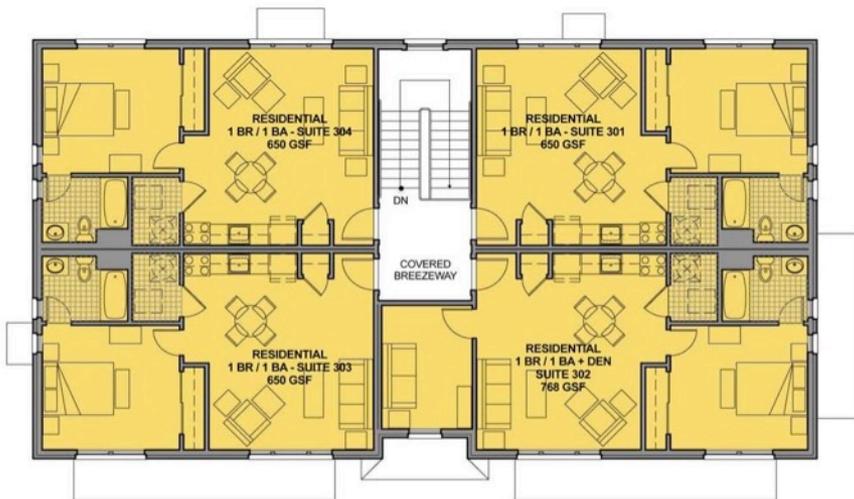
Acquisition Cost (Total)		\$577,504
Reserve for Repairs	1.00%	\$27,466
Reserve for Contingency		\$102,440
Net Investment		\$607,410
Monthly Cash Flow	\$1,168	\$13,992
Annual Cash Flow		\$167,904
Annual Cash Flow (Net of Operating Expenses)		\$117,608
Cap Rate Coverage	1.94	
Annual Depreciation (20% of Net Investment)		\$121,482
Annual Depreciation (20% of Net Investment)		\$121,482



Follow the Finances (to Form)



Code Hack to Afford the Building



Small Scale Development Workshop - Static Pro Forma Worksheet

Learn How a Building
Makes Money

Via a Financial
Proforma

WHAT REVENUE CAN YOUR BUILDING PRODUCE?						
#1. MONEY IN	Quantity	Rent per Unit	SF per Unit	Rent/SF	Total SF	Total Monthly Rent
Studio Apartments		\$	480 SF	\$	SF	\$
One Bedrooms	4	\$ 800	720 SF	\$ 1.67	1,920 SF	\$ 3,200
Two Bedrooms	2	\$ 1200	720 SF	\$ 1.67	1,440 SF	\$ 2,400
Commercial Space		\$	SF	\$	SF	\$
Common Area/Storage/Garages		\$	208 SF	\$	208 SF	\$
					Total	\$ 5,600
Gross Potential Annual Income - GPI (Monthly Rent x 12)						\$ 67,200

WHAT WILL IT COST TO OPERATE THE BUILDING?			
#2. VACANCY AND OPERATING	% of Gross Income		#3. CALCULATE NET OPERATING INCOME
GPI - From #1		67,200	Take your Potential Gross Income (PGI) from #1
Vacancy Factor (% of GPI)	5%	3,360	Subtract the Vacancy Factor
Annual Operating Expenses (OpEx); Insurance, tax, property management, repairs, expenses, etc. (% of GPI-Vacancy)	25%	15,960	Sub-Total is the Gross Operating Income (GOI):
			Subtract the Operating Expenses GOI X 25% OpEx from #2
			Remainder is the annual Net Operating Income (NOI):

WHAT WILL IT COST TO BUILD? - WHAT IS YOUR RETURN ON PROJECT COST?			
#4. COST OF BUILDING THE PROJECT	Quantity	Cost per SF	Total
Land Cost	1	N/A	\$ 45,000
Hard Costs (Total SF from #1 x Cost per SF)	3568 x	\$110	\$ 392,480
Soft Costs (Total SF from #1 x Cost per SF)	3568 x	\$25	\$ 78,496
Other (Off-site Improvement Costs)	1	N/A	\$ 0
Total Project Cost:			\$ 515,976

HOW DO YOU FINANCE THE BUILDING? - HOW MUCH MONEY IS LEFT AFTER YOU PAY EXPENSES AND DEBT SERVICE?			
#6. DEBT SERVICE	\$		#7. CALCULATE CASH-ON-CASH RETURN
Total Project Cost from #4	\$ 515,976		Take your Annual Net Operating Income from #3
Assume 25% Equity (down payment) is required in cash and other equity (land, deferred fees, etc.)	128,994		Subtract your Annual Debt Service from #6
Assumed Loan Amount is 75% of the Total Project Cost. This is the Total Project Cost less the Equity provided:	\$ 386,982		This produces your Net Annual Income (or Cash Flow after OpEx and Debt Service):
How much do you have to pay each month to service that debt? (Assume 4.5% interest and 25 year amortization with no PMI) www.mortgagecalculator.org	\$ 2,688		Divide your Net Annual Income by the 25% Equity number from #6 to calculate your return on the Equity; your Cash on Cash Return:
Multiply Monthly Payment by 12 to produce your Annual Debt Service.	\$ 32,256		
Divide the Annual NOI by the Annual Debt Service to produce your Debt Service Coverage Ratio:	1.48		Multiply the Total Project Cost by .75 as a rough estimate of the value of improvements to the land. Divide the result by 27.5 years to determine the Annual Depreciation Expense:

$$515,976 \times .75 = 386,982 / 27.5 \text{ yrs} = 14,072$$

Make a Basic Project Work on Paper



IncDev Alumni Projects





Small Developers (IncDev Alumni)





Bernice Radle (ME!) – Buffalo, NY





Bernice Radle (Me! Again!) – Niagara Falls, NY





Houses I bought that cost LESS than the student loan debt I acquired for my 3.5 year B.S. Degree in Urban Planning from Buffalo State College.





Monte Anderson

Midlothian, Texas

Duncanville, Texas

IncDev Founding Member



Started trying to build 18,000
sf strip shopping center,
recession hit

Fee simple lots with buildings
rented or sold

Purchased by local
entrepreneurs



2010





2012





2013





2017





Capt. **Ryan Terry** USMC

Bryan, Texas

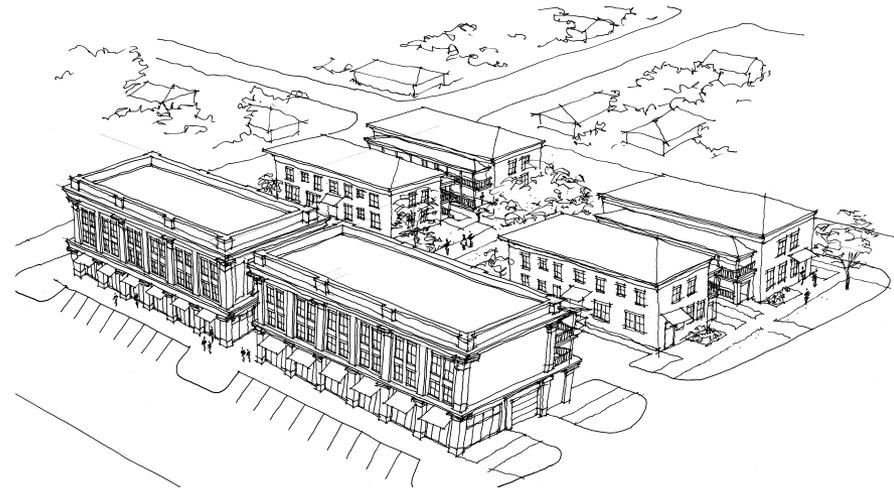
New Construction Quadplexes
With Non-Residential Space

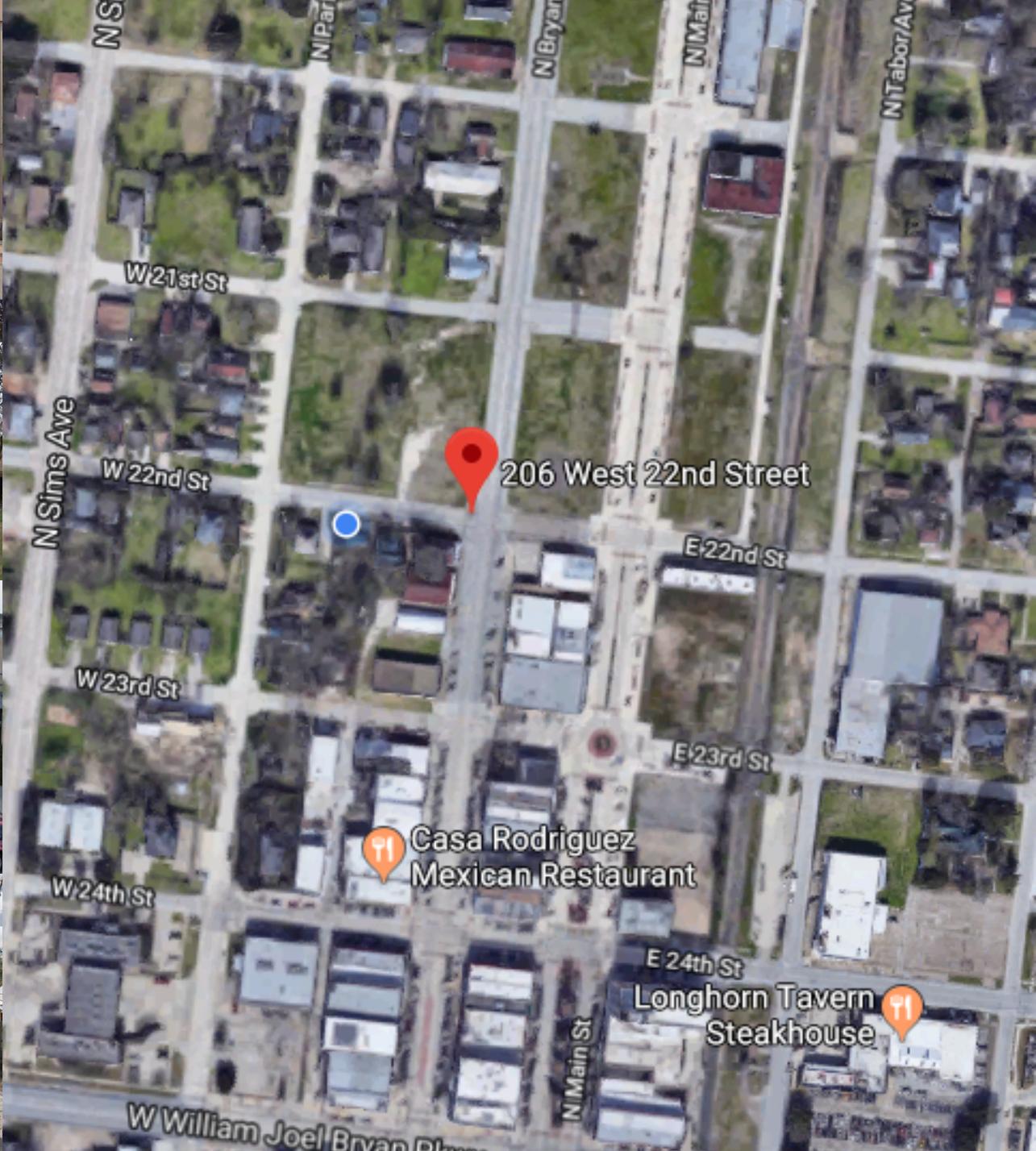


“Won” City RFP to Develop
Downtown Block into Mixed
Use/Residential

First New Construction
Residential Buildings in
Downtown in 40+ years

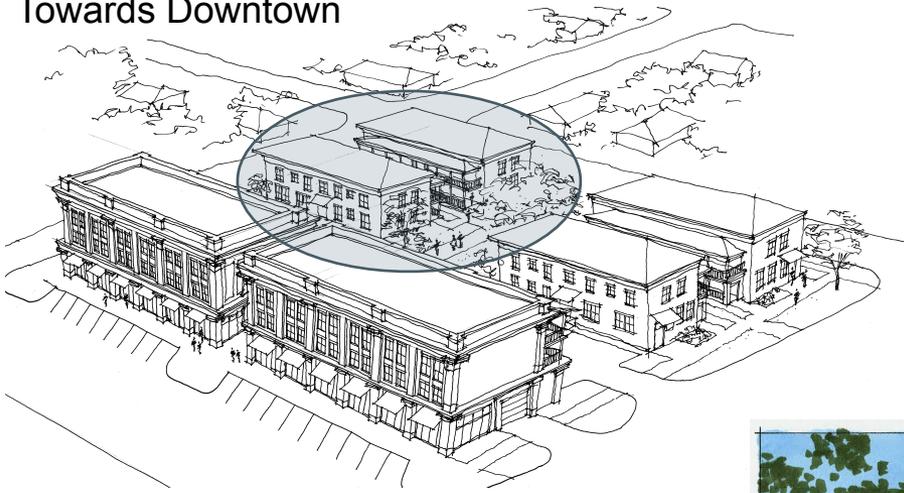
Negotiated Incremental
Approach to Lot Purchase





Phase 1 – 500 North Bryan Ave

Towards Downtown





Buildings Leased in Q1 2018
Each Lot Eligible for VA Permanent Mortgage





Alli Quinlan

Fayetteville Arkansas

New Construction Cuties



Bought a vacant lot to build on.

Infill small scale houses that are cute, unique and thoughtful.

Phase 1 Complete and Sold

Phase 2 Complete and sales in progress.



479-445-8787
KWC



Alli Quinlan – Fayetteville, AR



And When All Else Fails...



MacGyver a Path Forward

.....

