



Real estate development for communities


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About Brendan

- Worked as development manager for 4 years
 - A 60 unit rural cohousing project in MA
 - A 130 unit mixed-use, infill neighborhood center in NM
- Lived in a cooperative house for 6 years
- MBA and public policy degree
- Committed to green and community-supporting projects



What options do we have?

- Homes in the same neighborhood
- Adaptive reuse
 - Urban
 - Suburban
 - Rural
- A non-residential community
- New construction



How much should we do ourselves?

If I were looking for a home for myself would I:

- Just buy an existing house as is
- Buy a house and remodel
- Want to design it myself?
- Act as general contractor?
- Actually BUILD it with my own hands?

How does being a large group change things?

- We will return to this...



Levels of design control/integration

1. Subdivide lots and let people do what they want
 2. Set design standards and let them build their own homes
 3. Have one group architect
- Note: Attached housing will require more integration but is cheaper and more “green.” Attached is more complex and may be harder to integrate a self-build component.



Ownership structures

Go beyond the names to see what will work best for your group

1. Fee simple (all private)
 2. Condominium (private unit + common areas)
 3. Cooperative (shares in the whole)
- Note: It is highly suggested to separate the final ownership structure from the development structure/company
 - In building your homes you will do yourselves a major favor to have the “development entity” be a standard for-profit company (probably an LLC)



Working with your group

You will need to

- develop excellent process skills within your group
- set aside regular meeting times as a way to make urgent, emergency decisions
- select a small group (2-6 people) to be an executive committee and be liaisons on behalf of the group



Some things to expect

- The key leaders in the group may change several times as the project gets built
- The members in the group may change several times as you go from the idea stage to completion
- Plan to have social-only events as well as work meetings to keep the group strong
- Your budget **will** GO UP and this will affect the membership of your group
- Anticipate a major transition when you move in: everyone will respond differently



Key decisions for the group

Remember the old Realtor saying, "Buyers are liars"

- What people initially say they want will change as they get more information
 - It is better to work iteratively than try to perfect everything the first time
1. Rural, suburban or urban?
 2. Setting a total budget
 3. Deciding what professionals to hire
 4. Selecting search areas
 5. Buying the specific property
 6. Picking an architect
 7. Deciding on design/design guidelines
 8. Picking a contractor



Who gets to make decisions?

- Who is really committed to the project?
 - What have they invested in the project and what do they have to lose?
 - "Money talks"
 - (Maybe more than we want it to)



The basic development process

1. Site selection and due diligence
2. Group formation, "pre sales" and incorporation
3. Design, surveying, and engineering
4. Platting of the land
5. Pre-construction
 1. Finding a contractor
 2. Construction financing
 3. Building permits
6. Construction and oversight
 1. Site development ("Horizontal")
 2. Building construction ("Vertical")
 3. Interior finishes and
 4. "Punchlist," certificates of occupancy and move in
7. Additional marketing and sales if needed
8. Warranty period and settling in



Professionals

- Project manager/owner's representative
 - Someone you pay to coordinate other professionals and make sure everything gets done according to YOUR specifications
 - "Herding cats"
- Group facilitator
 - To work through group decisions and issues
- Architect
 - You will need one in most cases to get building permits
- Contractor
 - The right size: someone who has done complicated projects, not someone with too much overhead/cost
- Civil engineer & surveyor
 - Can be recommended by architect
- Lawyer
 - Find someone who knows the community and local rules and players
- Banker
 - Shop around for the best deal
- Permit expediter
 - Someone who has worked with the governing bodies before
- Realtors
 - Buying land?
 - Selling units/homes?



What professionals to use?

Things to consider:

- *Letting group members take on these roles OFTEN creates problems within the group*
 - You need to be able to hold people accountable
- *Has anyone in the group been through a development process?*
 - The process is very nuanced: experience really helps!
- Your timeline
- Control vs. trust
 - Other members
 - Professionals
- How much time do you have?
- How tight is your budget?
- Design vs. execution/implementation
- Project complexity
 - Rural or urban: building codes
 - Detached vs. attached housing



Project management

Ensures project is ON TIME, ON BUDGET and according to SPECIFICATIONS

Tools:

- Budget
 - Tracking against actual expenses
- Schedule
- Oversight of contract professionals
 - Requesting status updates
 - Reminding them about deadlines
- Experience with the process
 - Knowing what to expect

HARD COSTS

- acquisition (pre 40B permit, as-is appraisal-1 parcel)
- site development (roads-sidewalks)
- site development (utilities)
- site development (landscaping, grading, drainage)
- site development (ledge & blasting)
- construction
- common facilities
- contingency @ 5%

Sub-Total Hard Costs

TOTAL DEVELOPMENT COSTS

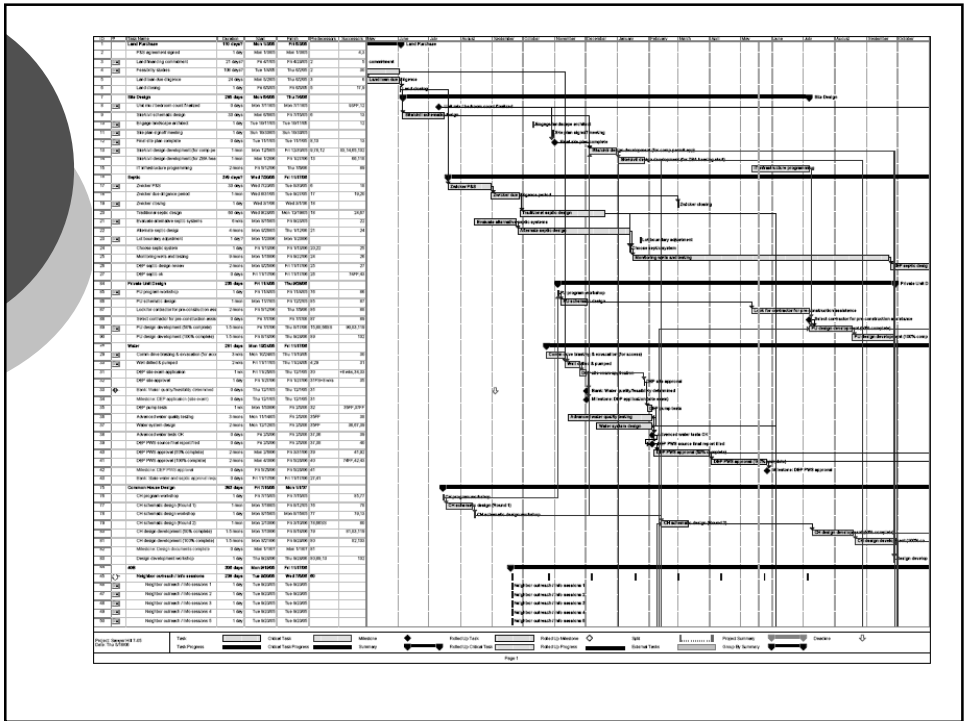
PROFIT (LOSS)


(Balance to be refunded to members at end)

PROJECT TOTAL

SOFT COSTS

- permits/surveys
- hook-up fees/mitigation fees/land use fees
- architecture/engineering
- civil/geo-tech/environmental engineering
- green consultants & MEP
- legal/title & recording/closing costs
- insurance
- taxes
- clerk of the works
- financing/applic fees
- bank inspection/appraiser
- accounting
- marketing - affordable units
- marketing/outreach/education - mrkt units
- construction loan interest
- development consultant
- co-housing consultant
- soft cost contingency @ 10%
- Sub-total Soft Costs**






Working with professionals

- Give deadlines before your REAL deadlines: everything slips
- Trust, but verify
- Get regular status updates and construction inspection reports
- Take the time to check things out yourself from time to time: important details can get lost in translation
- Have clear contracts that specify exactly what you expect to receive from them and when. Contracts should have deadlines and incentives/penalties for meeting them.
 - Otherwise they will try to charge you extra for it



More on the design process

1. Conceptual/Schematic Design (sketches)
2. Design Development
 - Show detail but not enough for construction
3. Civil/site engineering
 - In parallel with the building design
4. Construction Documents
5. Construction Administration
 - Architect inspects construction to match design



Thoughts on designing

- Everyone will want to customize their interiors: don't let them!
 - VERY expensive
 - Settle on 2 or 3 "finish packages" instead
 - Or have them do it after purchase is complete
- Some architects know how to work with groups but most do not
 - Use your own group facilitator
 - Channel all feedback/changes through your group liaison



Approvals/entitlements/permits

They will take longer than you want them to and there is not too much you can do about it

1. Development plan (technical and neighborhood review)
 2. Subdivision plat and engineering (technical review)
 3. Building permits (technical review)
- Will you need any variances?



Financing issues

Getting a construction loan from a bank is not easy

- Pre-sales (60% or more)
- Equity investment (25% of project cost)
- Appraisal (tricky for non-traditional housing)
- "Take out" of construction loan with permanent financing (mortgages)
- Bankers may say they can help you but you don't know until you go through underwriting. The deal may fall through.



Q&A

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