

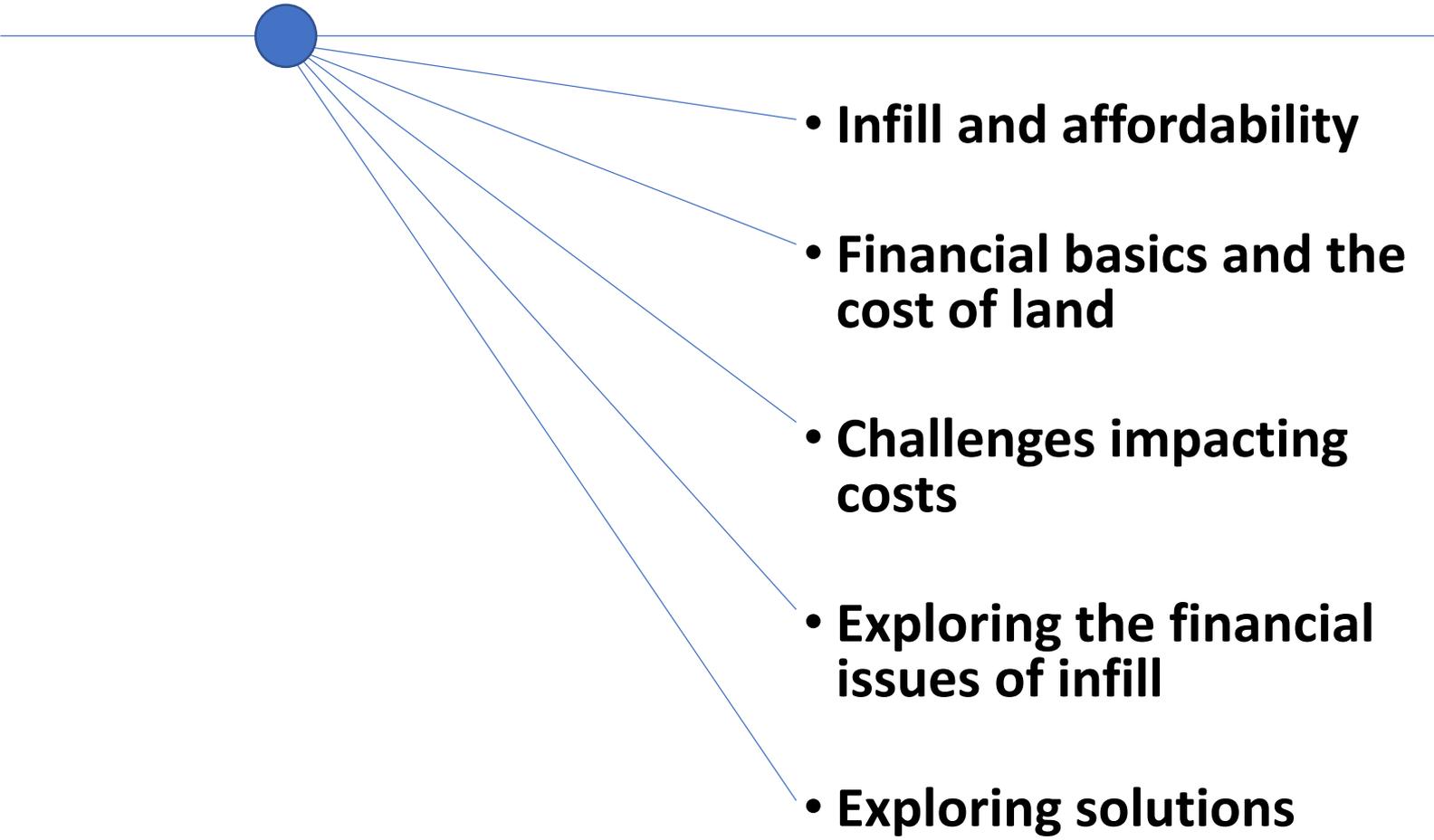
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Exploring the Planning Implications of the Financial Realities of Infill

UDI Capital Region Luncheon
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Mark Holland RPP

Overview



- **Infill and affordability**

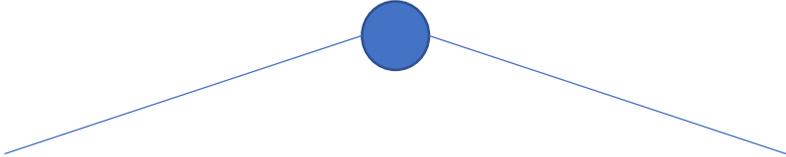
- **Financial basics and the cost of land**

- **Challenges impacting costs**

- **Exploring the financial issues of infill**

- **Exploring solutions**

What is driving infill?



Sustainable regional planning

- Compact – within UCB
- Efficient infrastructure
- Agricultural and natural land preservation
- Others

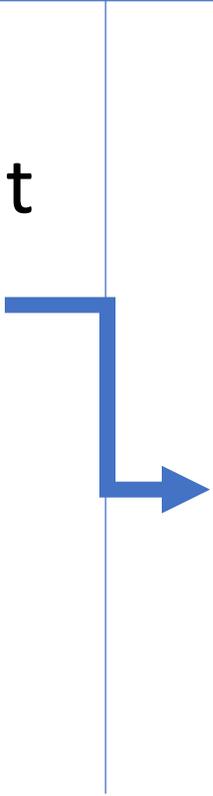
The market

- The young and silver
- Urban amenities
- Urban culture
- Green values
- Employment
- Reduced commuting

Key question:

We like infill, but...

- Do we care about housing prices?



- Is housing the new (social) sustainability

The Financial Proforma for Housing

- **Revenue**

- # of units x price

Minus

- **Costs**

- Land costs
- Approvals costs
- Hard costs
- Soft costs
- Municipal fees
- Financing costs

= **Margin** (min 15%)

70% debt / 30% equity

Calculate feasibility

Infill land cost challenges = housing price challenges

- The availability of land / density



- =The price of land / density and
- =The elasticity of land prices to decrease to absorb other costs:
 - Heritage and urban design requirements
 - Infrastructure upgrades
 - Municipal charges



=The price of housing

Cost of 'buildable' land per unit

- **Costs we cannot control**

- Materials
- Labour
- Financing interest



- **Costs a municipality controls or has influence over**

- DCCs / CACs / fees
- Policy-driven costs (eg: heritage)
- Approvals delays (holding costs)
- Price of land/density
 - (based on land controls determining availability of land and density)



- **Housing attainability threshold**

- \$50,000 for land / unit

(measured in \$/sqft in reality)

Attainability threshold for planning

(greenfield or infill)

800 sqft 2 bed unit – example

- Hard, soft and financing costs (for wood bldg with surface pkg)
 - \$360 sqft min
 - =\$288,000
- Land cost
 - = \$50,000
- Min profit (15%)
 - \$50,700
- Min sales price
 - \$338,000

Purchaser reality

- \$338,000
- Downpayment 10%
 - \$34,000
- Mortgage
 - \$304,000
- Monthly payment (@~5%)
 - ~\$1,800/mo
 - ~21,000/yr

Avg CRD household income = ~\$79,000/yr
= **27% of pretax income for mortgage**

30% is
affordability
threshold

The myth of affordable gentle infill

Example

- \$800,000 lot
- Existing old SF with suite redeveloped to 4 plex
 - (net growth absorption of 2 units)
- Cost of land = \$200,000/unit
- Add \$150,000 to previous example

- Min price / unit = \$488,000
- 10% downpayment
 - \$49,000
- Mortgage
 - 439,000
 - \$2,700/mo
 - \$32,400/yr

41% of avge pretax household income

Infill planning implications

- **Land price / \$50,000** = min # units required in building on any piece of land to be affordable.



- **Single family lot for infill**

- \$800,000
- = 16 units
 - 12,800 sqft + 15% common area = 14,720 sqft
- 10,000 sqft lot (66x150)
- 40% site coverage = 4,000 sqft

= 4 storey building

Infill capacity

Conditions that take land out of play for infill

Contamination or other issues

Expensive clean up or response

Location

The location is wrong – in the eyes of the market or the banks = too much equity required

Existing buildings are too young (expensive)

~40 yrs old (early 80s) or younger

Existing businesses are successful

Old bldgs with profitable businesses are expensive /NFS

Size

The size does not support feasible building and parking layouts
Land assembly is too difficult or expensive

The city plans do not support feasible density

Staff and/or Council will not support it

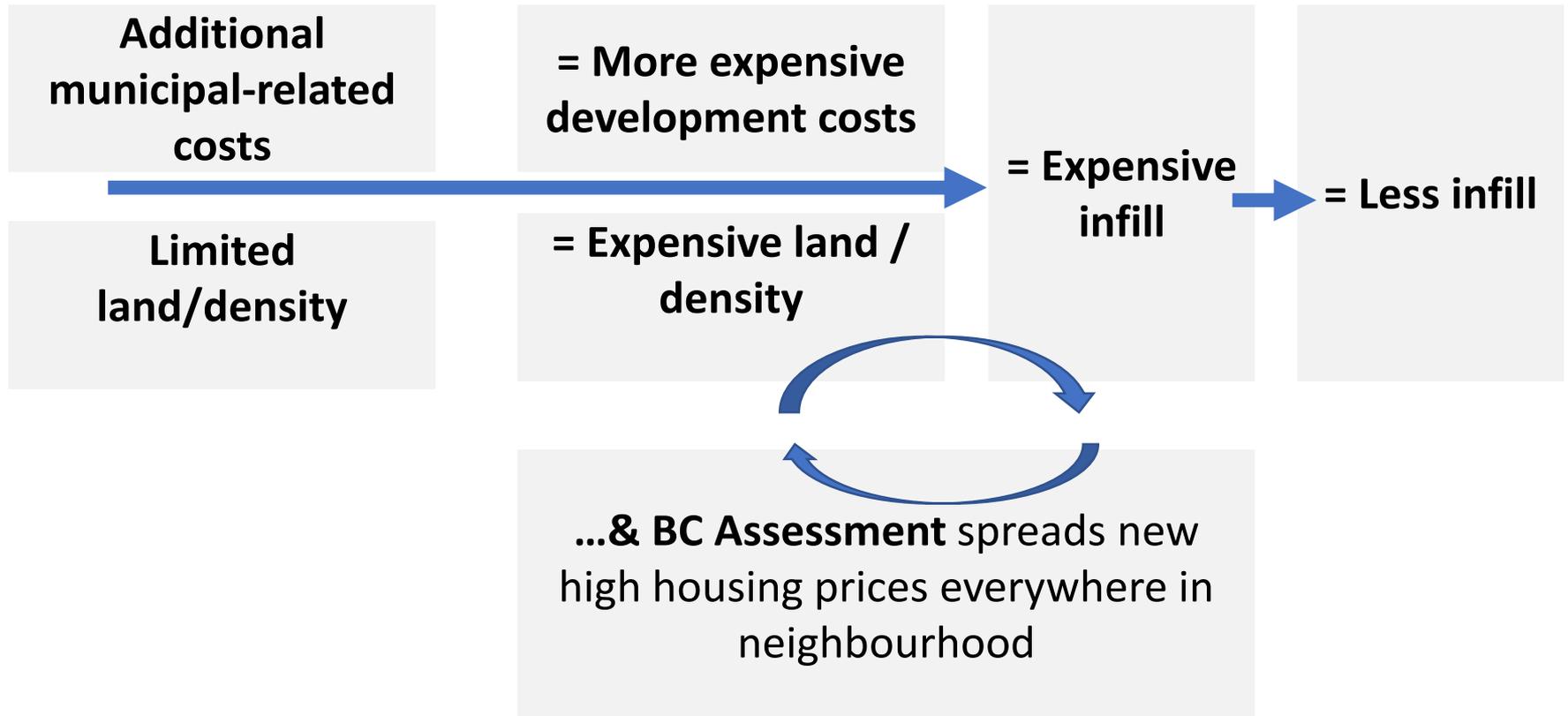
The politics of the neighbourhood are too risky to rezone

Expensive holding, consultation and exactions

The #1 reason:

It's not for sale – for any feasible price.

Infill and policy



Messages

We must all work to minimize risk and costs if we want infill

- **Urban design** requirements without widespread available land/density will cause affordability problems and less infill.

- **Demand** for attractive urban areas will exceed land supply = requires significant addition of density and moderation of additional costs (CACs, etc.) to support infill

- **Streamline approvals** and encourage politics to be pragmatic to reduce real/perceived risk in lending community

- **The rise of every neighbourhood** = Re-plan city to bring on significant new density along all major (transit) corridors (not just centres and core) – to keep land/ housing price increases moderate

Thank you

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