

Barriers to development in housing

I. Introduction

- A. Who I am and discussion - why I'm here

II. Barriers to development

- A. Historical status: compliance can be huge and costly.
- B. Lead paint: can be done reasonably.
- C. Asbestos: requires strict attention.
- D. Code enforcement: "Substantial Renovation".
- E. Aging Housing Stock: can be a barrier to finding good developable properties.
 - 1. Foreclosures: cause delays to developing abandoned eye sore properties.
 - 2. Example: 342 Union
 - 3. Correlation between age, lowest value and highest eviction rate.

III. What the developer looks for in potential projects – questions asked:

- A. What is the zoning? Is all in place for the most viable use?
- B. Is it historic?
- C. Financially feasible?
- D. Where's the motivation: Scenario One: 4-unit building, one-bedroom units, built in 1880. Purchase it and do small amount of rehab: new carpet, paint and minor cosmetic work for cost of \$10,000 per unit.

Purchase price \$169,900 + \$40,000 rehab cost= \$209,900 which = \$1127 monthly mortgage payment. Assuming 50% monthly operating expenses = \$1480.

You rent it to fair market section 8 tenants and receive income of \$740/month x 4 units = \$2960/monthly income.

$\$1127 + \$1480 = \$2607$ monthly expenses

$\$2960$ monthly income - $\$2607$ monthly expenses = $\$353$ monthly profit on investment

- E. Scenario Two: same 4-unit building. Purchase it for same price but complete \$40,000 per unit rehab. Now you have a nice place with reduced operating cost due to increased efficiency and reduced maintenance.

Purchase price \$169,900 + \$160,000 rehab cost= \$329,900 which = \$1770 monthly mortgage payment. Assuming 40% monthly operating expenses = \$1280.

You rent it for \$800/month (all utilities included) and receive of \$800/month x 4 units = \$3200/monthly income.

$\$1770 + \$1280 = \$3050$ monthly expenses

$\$3200$ monthly income - $\$3050$ monthly expenses = $\$150$ monthly profit on investment.

IV. Ideas for solutions

- A. Focus on what we can change
 - 1. How to offset the barriers that we can't change? Grants, loans, TIF zones.
 - 2. Vote in city councilors who share values and goals.
 - 3. Create a culture in city government and local law enforcement to seek solutions.
- B. Help the developer who wants to create good
 - 1. Screen the developer.
 - 2. Propose a grading system for different levels of quality in properties.
 - 3. Consider a city endorsed group where membership provides benefits but also requires certain building quality standards.
 - 4. Consider having all rental properties be on some tax basis whether they have nonprofit status or not.
- C. Look for alternative solutions for people not ready to live on their own to create a bridge for them until they are.
 - 1. Group homes for mentally ill and recovering addicts with supportive case management.
 - 2. Shared living situations to simulate extended family support. (As discussed last meeting)

V. Conclusion – questions?