The Residential and Master Planned Community Ideas Festival
Session 1: Breakthrough Strategies
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Panelists

Moderator
GREG J. VOGEL
Chief Executive Officer, Land Advisors Organization

Discussion Leaders
THERESA O. FRANKIEWICZ
Vice President of Community Development, Crown Community Development

RANDAL W. JACKSON
President, The Planning Center/DC&E

STEVEN LA TERRA
Managing Director and Principal, Paradigm Private Equity Holdings, LLC

MELINDA MASSON
Chief Executive Officer, Masson Investments, LLC

TERENCE RUSSELL
Chief Executive Officer, FrontDoor Communities
The traditional MPC model is focused around the traditional lifestage trajectory, essentially a linear lifestage path that starts from the formative years to empty nesting and retirement.

**IDEA:** How can we embrace a more flexible, fluid lifestyle—not held hostage to the old expectations about age or lifestage? How can we evolve the MPC business model to address “emerging,” “alternative” life path trajectories that people are already adopting (Millennials/Gen Y in particular, who will fuel housing demand in the next decades)? How can we rethink, create, and design community and residential—products, amenities, services, retail, ownership, tenure, occupancy, technology, communication, networks, connections—around these new possible life paths? Is the MPC of the future more “full-service”? 

Source: Fluidity as the New Foundational Brand Principle for Millennials, The Futures Company.
Marital Status When They Were 18-28

% by generation

- **Married**
  - Millennial: 21%
  - Gen X: 29%
  - Boomer: 42%
  - Silent: 54%

- **Separated or divorced**
  - Millennial: 4%
  - Gen X: 5%
  - Boomer: 6%
  - Silent: 3%

- **Never married/Single**
  - Millennial: 75%
  - Gen X: 67%
  - Boomer: 52%
  - Silent: 43%

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THE HOME

2012 ULI Fall Meeting
Denver, CO - October 16-19, 2012

What's Next
New Homes vs. Used Homes

A Shift in the Paradigm of Homebuilding
Lennar is the first national homebuilder to recognize the need of individual homebuyers and families to “double up” in order to share the cost of their mortgage and other living expenses. In response to this growing trend, Lennar offers NEXT GENSM – The Home within a HomeSM, a great solution for long-term guests, family members or anyone else who can utilize this innovative space. It’s a complete suite with bedroom, eat-in kitchenette and living room. It can be integrated into a home’s living space or kept as a private residence.
Maracay Homes

flex design

Choices for the way you want to live.
Scaling Down
Retitled and scaled down lot sizes and houses brought to the market.
Robert Lewis  
President, Nevada Division – Lewis Operating Corp  
Las Vegas, NV

**BIG IDEA:** Lot Product – Large Lots Making Money!

- What our homebuilder customers are asking for today may not be what will yield the best land return to us in the coming year.

- Today’s demand is for larger lots. Prices and interest rates are low, so homebuyers can afford larger lots and houses.

- If the economic recovery progresses and if costs, fees, and interest rates increase, will demand shift to denser and more affordable product?

- The time required for entitlement and mapping processes force us to make the decisions today as to what we will offer 6-12 months from now.

- Should we delay selling the larger lots today, re-map to greater density, and bet that current upswing in demand is not a blip, but rather the beginning of a sustainable recovery?
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HOME

Smart Homes / Efficient Homes
Active Adult Community
Integrating a traditional Active Adult Community into the master plan by building their common areas, outdoor recreation center and clubhouse as part of a master recreation area centered around a great park.
Case Study:

LAMBERT RANCH
IRVINE, CALIFORNIA
CHALLENGE

TO PLAN, DEVELOP, SELL AND DELIVER 169 MILLION DOLLAR DETACHED HOMES.
LAMBERT RANCH
ONE OF AMERICA’S FASTEST SELLING COMMUNITIES OF 2012

WHAT WOULD WE DO

DIFFERENTLY

• RIGHT-SIZE SQUARE FOOTAGE FOR LOT SIZE
• REDUCE REPETITIVENESS IN HOW FLOOR PLANS ARE SET UP
• WATCH KITCHEN ISLAND SIZE/DESIGN
• 9 MODEL HOMES CAN BE OVERWHELMING FOR CONSUMERS (ABSORPTION VS. EXPERIENCE)

RESULTS

• 80 HOMES SOLD IN FIRST MONTH OPEN
• OVER 6,000 HOMEBUYERS TOUR DURING GRAND OPENING CELEBRATION
• 25% BUYERS CHOSE MULTI-GENERATIONAL OPTIONS/FLOOR PLANS (10/40)
• MARKET HAS RESPONDED POSITIVELY TO CONTEMPORARY DESIGN AESTHETIC
THE HOME

Connectivity within Community
QR Codes
QR Codes become Community information system along Trails, Walks and Open Space
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FINANCE
One green to another

EB5 Financing
$500,000 Investment and Create 10 jobs within an approved zone
Hire Expert Counsel Beware of Fraud

4. Dan Conway
BIG IDEA: Finance – Chinese Capital

THINGS ARE CHANGING IN CHINA

- Outbound Investment to the US, Canada and Australia increasing
- Markets are more competitive
- Industry regulations are tightening forcing some Chinese to rethink their business and future plans
- Demographic shifts
- EB 5 program for US visa
- Private Investors/Banks/Funds/Insurance Companies all want to participate
- Interested in Immigration/Child Education/Health Care/Preservation of Wealth
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FINANCE

Impact Fees
Municipal &
Self Imposed
BIG IDEA: Land Dev/Entitlement – Creative Impact Fees

- Manatee County, Florida
  - Gulf Coast between St. Pete and Sarasota
  - Population 325,000
- Redrafting many provisions in long term growth management plan
- Use of impact fees to fund improvements on county infrastructure resulting from new home development
- Considering different fee amounts in four distinct geographic zones in the county
- Incentivize development of in-fill sites by having the lowest impact fees
- Charge the highest impact fees in outlying locations where providing county services are more costly (police, fire, parks, utilities, roads, etc.)
- Besides impact fee credits to reimburse developer funded public improvements, county is considering a reimbursement to the developer based on improved property values on surrounding neighborhoods
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Creative Impact Fees

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HOA Lead Development

• What we did:
  - Funded HOA reserves
  - Turned over HOA control
  - Sold HOA a site

• What we got/learned:
  - Free club house
  - High design
  - New ideas

• What we will do next time:
  - Plan for this
  - Sell using this
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FINANCE

Deal Structure/Lot Financing
FINANCE

Deal Structure/Lot Financing

• More “equity” players are entering the market

• Shift toward being mezzanine or bridge lenders

• Rates are decreasing from the insanity of World Ending 2009

• Can terminate relationship (i.e., pay off loan) at any time and stop meter

• Much simpler – a straight loan vs. a complex JV agreement with control issues

• Three other twists: contractor financing (deferring some or all of payments), collateral loans from banks to generate equity funds and builder deposits
Private Builder Financing Structure

Overview: David Weekley Homes Acquisition and Development of 40 Acres in Celebration (Orlando, FL)

Proposed No. of Lots: 261 Lots (TH, Duplexes and Single Family)

Total Investment: $14,000,000

Structure:

• Secure 60% Non-Recourse Financing
• Investor/Partner Contributes 60% of Equity
• Weekley Contributes Remaining 40% of Equity
• Equity Contributions Returned Pari Passu
• Investor/Partner Receives 20% Return on Their Equity Contribution
• Partnership Sells Finished Lots to Weekley
Robert Folzenlogen  
**Director, Planning & Development – Hillwood Properties**  
**Ft. Worth, TX**

**BIG IDEA:** Public/Private Partnerships – Off-Site Infrastructure Costs

- 900 Acre MPC with commercial/medical anchors at opposite ends and significant mobility and neighborhood connectivity issues

- $12M need for 2 miles of major arterial; no ability to front cost within existing bonding capacity or private development

- TIF district that generates $2.5M annually

**Solution:**
- Developer Donates ROW and $400k Cash = 10%
- Collected Impact Fees for Area = 10% City Borrows $10M from Municipal Airport Gas Drilling Revenues = 80%

-TIF Pays back City Airport Fund within 4 years
Christopher Jackson
Vice President, Wynne/Jackson
Dallas, TX

**BIG IDEA:** Amenities/HOA – HOA Lead Amenity Development

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INFRASTRUCTURE
Public Private Partnerships (P3)
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Capture & Recycle

Capture every drop of water on a development and recycle it in some fashion.
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INFRASTRUCTURE

Lending the Government Money
Actually lending money to build the improvements that will benefit the property. Government in turn repays Developer in future budget cycles.
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SMALLER SCALE & MORE URBAN

Urban Infill Masterplanned Communities
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INFRASTRUCTURE

Urban Infill Masterplanned Communities
The Great Recession changed the landscape for Master Planned Communities:

- Infill Development, particularly on smaller sites, has grown in popularity as large-scale exurban development declines.

- No longer the “Land of Sprawl,” the burbs are giving rise to a new generation of smaller scale urban villages.

- Buyers now prefer smaller homes and the increasing number of 55+ homebuyers want lower maintenance and a “lock and leave” lifestyle.

Sources: Professional Builder (February 2011), Builder Online (July 2011), and NAHB Study of Buyer Preferences (2010)

Downsizing in Infill
Downsized suburban style “master plans” in urban infill (UMPC)
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AMENITIES
Citizen Roundtable for MPCs

How can developers constructively communicate with their residents?

• Create forum for discussion which represents all relevant points of view with balanced representation between negatively and positively oriented residents.

• Creating community roundtable establishes a known, predictable forum for residents to communicate with developer.

• Document outcomes and circulate to community at large.

• Sends multiple messages to residents about their importance to the developer.

• In one case residents became resources to developer for marketing, events and PR.
Semi-resort Living
Create well done entry and amenity package that are affordable for residents.
Current Initiatives
Urban Agriculture

• Embracing the movement

• Edible Landscape
• Community Gardens
• Product Design
Current Initiatives
Urban Agriculture
Current Initiatives
Homes – Urban Agriculture

Possible Elements

• Green Houses
• Raised Vegetable Beds
• Storage Sheds
• Arbors
• Compost Bins
• Bee Hives
• Cold Frames

• Fruiting Shrubs/Trees
• Potting Benches
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Seeding Dining without Building
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Mobile Dining – Not Your Construction Based Roach Coach!

• Developer/Community Sponsored or cost sharing with local jurisdiction, builders, vendors.

• Provide Community Venue – Amenity/Park or Retail Pad Site with surrounding “green” (need parking, some picnic tables, benches/chairs. Offers a cool community gathering “tradition” opportunity with minimal cost.

• Sponsor live music from local artist (solo, duo or trio artists) and support local artists.

• 5 to 10 trucks serving everything from regular meals, to cupcakes to smoothies.

• Support local food grower’s and restaurant entrepreneurs who could eventually seed retail when built.

• Establishes “green” retail areas as future dining destination & retail services prior to full market demand.
Community Based Consumer Engagement Website

Consumer Engagement Tool – Allows Builders, Service Providers, Restaurant, Entertainment, Small Business owners a platform to communicate in a more intimate and targeted approach. Opt in and select preferences.
One builder described their onsite agents as newer, younger, and tech savvy. They can speak to a prospect in person or on the phone with a computer application in front of them that shows the neighboring communities (their own, competitors, and resales) and quickly show pricing, PSF, new vs. resales, school district, school district ratings, etc.

After discussing prospect’s salary, liabilities, household situation (kids, etc.) and credit situation, they can guide them to the right spot in terms of price range, etc. This also allows them to cover more submarket communities with fewer models and sales people (a staffed model not required in every community), AND they can acquire or option lots that exist in smaller buckets (5-20 lots in one spot) as opposed to larger positions in fewer communities, which is important for many capital-starved smaller and medium sized builders.
MARKETING

Home Visualization Prior to Purchase

A larger, better resourced builder/developer we do business with has built a proprietary on-site system in their sales center that allows for a prospect to pick a lot, plan, elevation and colors on a very large screen “TV” to see how a particular plan and combo would look and sit on a particular lot. It can also show how it sits and looks compared to the homes on either side, whether those homes are existing, contracted/proposed or ‘could be’. Allows for multiple views including side, air above and front. Revolutionary.
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Marketing

Homebuyers & Education Based Selling

Free Credit Counseling

Realize your dream of owning a new home in just 4 easy steps! Many of our homebuyers discover very quickly that they qualify for our No Money Down purchase option.

HOME BUYING ACADEMY

Getting ready to buy a home...
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THANK YOU