

Ownership Housing Builder/Developer Outreach Results

Background

In Late 2022, Town staff conducted outreach to ownership housing builders and developers to receive feedback on Addison and our capacity to support new ownership housing investment. At that time, staff identified a mix of boutique, regional, and high volume production builders and mixed-use developers that include townhomes in their product inventory.

In total, Town staff reached out to 13 builders/developers and received responses from five groups that were willing to participate. Of those five willing participants, Town staff scheduled and held discussions with four groups, while the fifth group failed to show up for their scheduled zoom call.

This outreach summary comprises feedback from the following developer perspectives:

- Mixed-Use Boutique Developer: This Dallas-based developer pursues a broad range of project types, with a strong focus on urban housing within Dallas' more prominent urban neighborhoods. They have substantial experience developing and partnering on moderately scaled high density townhome and medium density condo flat developments. As the cost to develop housing has increased, they have shifted their focus from ownership housing to urban multifamily rental housing and build-to-rent single-family housing. This developer has not pursued a project in Addison and anticipates remaining largely Dallas-focused.
- Urban Infill Townhome Boutique Builder: This Dallas-based boutique homebuilder pursues urban infill townhome projects in redeveloping districts and corridors. To this point, their focus has been on projects in Dallas, but they are pursuing opportunities within urban neighborhoods and corridors in suburban communities. This builder pursues smaller projects, generally ranging from 6 lots to 60 lots, with 30-45 lots being optimal. This builder does not develop condo flats and does not have any interest in pursuing that housing type at this time. This builder finds Addison to be an attractive market and is pursuing development opportunities in Addison at this time.
- Urban Infill Regional Developer: This Texas-based developer pursues urban infill mixed use projects anchored by housing. This company started with a focus on urban ownership housing, primarily townhomes and detached homes, and has since expanded their focus to include multifamily rental, condos, and neighborhood serving retail. This developer's primary market is Austin, and it maintains a presence in Dallas and several other major metro areas in other states. This developer finds Addison to be an attractive market and is pursuing development opportunities in Addison at this time.
- Publicly Traded Production Builder: This DFW-based developer is a publicly traded volume homebuilder with a substantial presence in Texas and several other states experiencing rapid growth. Their regional focus has been on the development of medium and large scale master planned single-family detached communities in Collin County, and in exurbs such as Waxahachie and Princeton. This builder has several building divisions that include townhomes in their product inventory. One of these divisions is focused on lower density suburban townhome product, while the other division includes medium density urban townhome and detached home product. This builder does not develop condos or any form of rental housing. This developer has not pursued projects in Addison largely due to the opportunity cost resulting from the effort needed to acquire

and assemble land in Addison that is in comparison, much smaller in scale than what they are achieving in communities with available vacant land.

Key Discussion Outcomes

Target Demographics

For the three builders/developers that primarily focus on urban neighborhoods, their market and typical homebuyer will typically be a first-time homebuyer. These homebuyers are frequently dual income and have yet to have kids, and include a mix of current residents of the region and people relocating from other parts of Texas and other states. These homebuyers are typically seeking affordable, low maintenance housing that is in close proximity to amenities such as parks, trails, and desirable retail. School district ratings is less of a concern for these homebuyers as they have often not reached the stage in their life where they have school-aged children.

For the publicly traded production builder that primarily works in more suburban contexts, these trends also apply, but they also frequently find that single parents find their townhome options to be attractive. In those cases, school district considerations may be more important to the homebuyer.

Developer Locational Preferences

For the three builders/developers that primarily focus on urban neighborhoods, their focus is on emerging and established neighborhoods that are transitioning to a more urban, walkable context. They typically like to achieve projects early in the evolution of these neighborhoods, but they are less comfortable being the pioneer to kick off this evolution. If they see other projects of similar context being successful, they will be more likely to invest in that area, and even more so, if there is an attractive mix of existing and planned amenities in close proximity. These developers are comfortable developing adjacent to urban multifamily, single-family (traditional and urban), and neighborhood compatible commercial development. They avoid use, context, and infrastructure adjacencies that may make home sales challenging. Due to the nature of infill and redevelopment in established neighborhoods, these builders primarily pursue smaller ownership housing projects, generally ranging from 20 – 60 lots, and frequently participate as a component of a larger mixed-use project that includes urban multifamily rental housing and neighborhood serving retail.

For the publicly traded production builder that primarily works in more suburban contexts, the use adjacency trends noted above are applicable, however, they are more driven by development size and context. Most of this builder's development has occurred on vacant or underutilized land, with developments ranging from a minimum of 100 lots to over 3,000 lots. Where they have developed their urban townhome and detached home product, they have participated as a component of master planned urban mixed use projects and as infill housing in established and emerging urban neighborhoods. In those cases, those developments have traditionally landed in the 30 – 60 lot size range.

Developer Housing Preferences

For the three builders/developers that primarily focus on urban neighborhoods, ownership townhomes have been one of their most successful product types. Their current preferences include:

- The mixed-use boutique developer has substantial development experience with townhomes but has not pursued an ownership townhome project since 2019. They made this shift towards rental multifamily and rental single-family housing because it was too challenging to develop an economically viable townhome that was financially attainable for their target market. This was driven by rising development costs and process delays in their target market, the City of Dallas.
- The boutique townhome builder primarily builds high-density 3-story townhomes, and far less frequently, they will also develop 3-story high density detached homes. They believe there is market support for similarly situated 2-story housing options; however, most often, the cost to develop at that scale is not viable.
- The urban infill regional developer has historically focused on high density 2 and 3 story townhomes and detached homes. In recent years they have shifted their focus to create medium scale projects inclusive of multifamily rental and/or condos, and at times, neighborhood serving retail.

For the publicly traded production builder, they primarily focus on the development of low and medium density 1-2 story detached homes on 4,000 – 7,000 square foot lots. Their townhomes and urban detached homes are typically 2 stories with limited yard space and served by common amenities.

Of the four builders/developers that staff visited with, none were bullish about condo flat development in the current DFW market, and three of the four are not currently pursuing condo flat development projects. Generally, the builders/developers see potential future viability for condo flats as the region continues to buildout and evolve. The urban infill regional developer does build condos as part of larger mixed-residential/mixed-use projects in urban environments.

Ownership Housing Development Constraints in Addison

The four builder/developers identified the following development constraints for new ownership housing in Addison:

- Availability of Compatible Land: Due to the existing development patterns in Addison, there are very few properties in Addison that are physically compatible and that make sense for economically viable ownership housing. Primary issues include adjacency to incompatible uses (commercial/industrial/warehouse/airport) and frontages on auto-oriented corridors (DNT/Belt Line/Midway).
- Balancing Development Costs with Affordability: The margins are very tight for these projects, as these high density ownership options do not capture the full market for ownership housing. Acquiring vacant land, parking lots, and underutilized land is optimal to reduce development costs. For smaller and medium properties (ideal for these projects), these builders/developers compete with restaurants and other forms of commercial development, which can typically achieve a higher sales price for sellers, and frequently do not require the buyer to pursue rezoning.

Larger land assemblies are typically beyond their desired scale of development and require other development partners (most often urban multifamily) to take the lead. For redevelopment projects, there may be existing infrastructure and environmental constraints that further increase development costs. Maximizing density for the ownership housing is critical to their ability to make these projects economically viable.

- Policy and Regulatory Direction: Under current policy, the Town provides broad support for ownership housing options through the 2017 Housing Policy, but we provide little direction on where ownership housing options are most appropriate. While the Town has a very strong record of approving ownership housing proposals that are presented by developers, providing more targeted policy direction would be beneficial.

Potential Strategies to Increase Ownership Housing Options in Addison

The four builder/developers identified and/or provided feedback on potential strategies to increase ownership housing options in Addison. Some of these ideas were shared by staff and some were shared by the builders/developers. These include:

- Targeted Outreach to the Broker Community: Builders/developers frequently find out about the availability of properties through the brokerage community in DFW. With most properties entering the market in Addison being oriented towards commercial use, ownership housing may not always be top of mind for the brokers that are marketing these properties. Conducting outreach to these brokers regarding the Town's desires for ownership housing may lead to expanded opportunity for ownership housing builders/developers.
- Policy and Regulatory Improvements: As noted above, there is opportunity to provide additional clarity in the Town's long range planning policies to identify locations in Town where ownership housing is most appropriate. Additionally, there is opportunity to shape policies related to commercial parking requirements to allow underutilized surface parking lots to be partially redeveloped to allow for more economically viable ownership housing. Additional tools such as an overlay district targeting ownership housing could be created to grant "by right" opportunities for new ownership housing. Tools such as this would need to be carefully crafted to ensure development quality would not be degraded.
- Expedited Development Review Process: While concern for duration of the development review process is largely targeted towards the Cities of Dallas and Austin, there are items that can be improved in Addison to reduce costs and to expedite ownership housing projects. These include allowing for less detailed plans in the rezoning process and created more "by right" zoning opportunities as noted above.
- Land Assembly/Acquisition and Cost Participation: Town cost participation is less of a concern for the smaller projects that fall within these builder/developers preferred development scenarios, but larger ambitious projects – similar to Addison Grove – are likely to require subsidy in the form of land acquisition or infrastructure participation.