

Role of Infrastructure to Achieve Infill

Infrastructure and Development Council Committee

March 1, 2023



Revised after the meeting based on feedback. All notes in red are revised from the presentation at this committee meeting.

Background

- How is most infrastructure installed? The majority of infrastructure is developed concurrent with development.
- What is unique about Port Townsend, Pre-platted versus subdivision?
- What are the City's opportunities to achieve infill?
- How does the City promote infill?
- Are market **economic** principles being applied to development of housing?
- How does the City promote affordable housing when ~~Market~~ **economic factors or** conditions do not apply?

For the purpose of this presentation:

Market means the value of homes at which the market drives sales.

Economics means factors such as cost of development, land, and the profit for the developer drive purchaser decision making and allow homes to be built prospectively or within the market. A test to see if the economics pencil, is if a financial institutions will lend for prospective developer.



~~Market Development~~ – Economic Principles

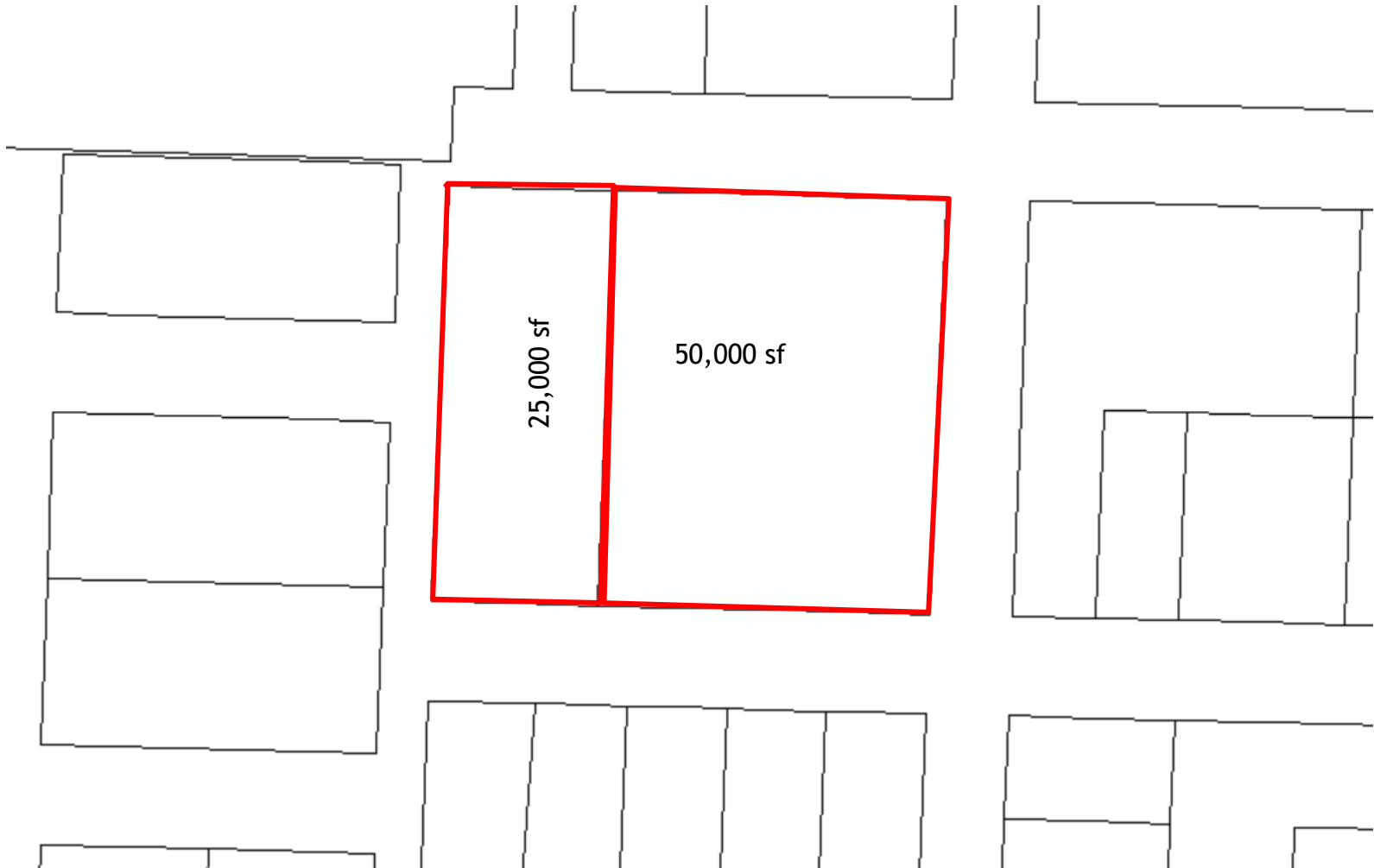
Considerations:

- Rule of thumb development principles.
 - 1/3 Cost of Land
 - 1/3 Cost to develop
 - 1/3 Profit (Assuming high risk) Developers will make less often due to risk, so they start with a profit goal of 33%.
- This means under market driven conditions **when economic principles apply**, the cost of the land will be driven down based on the market value of the home when it is completed and up for sale.
- Is Port Townsend development being driven by this ~~market-driven~~ approach? How does it impact the cost of land?

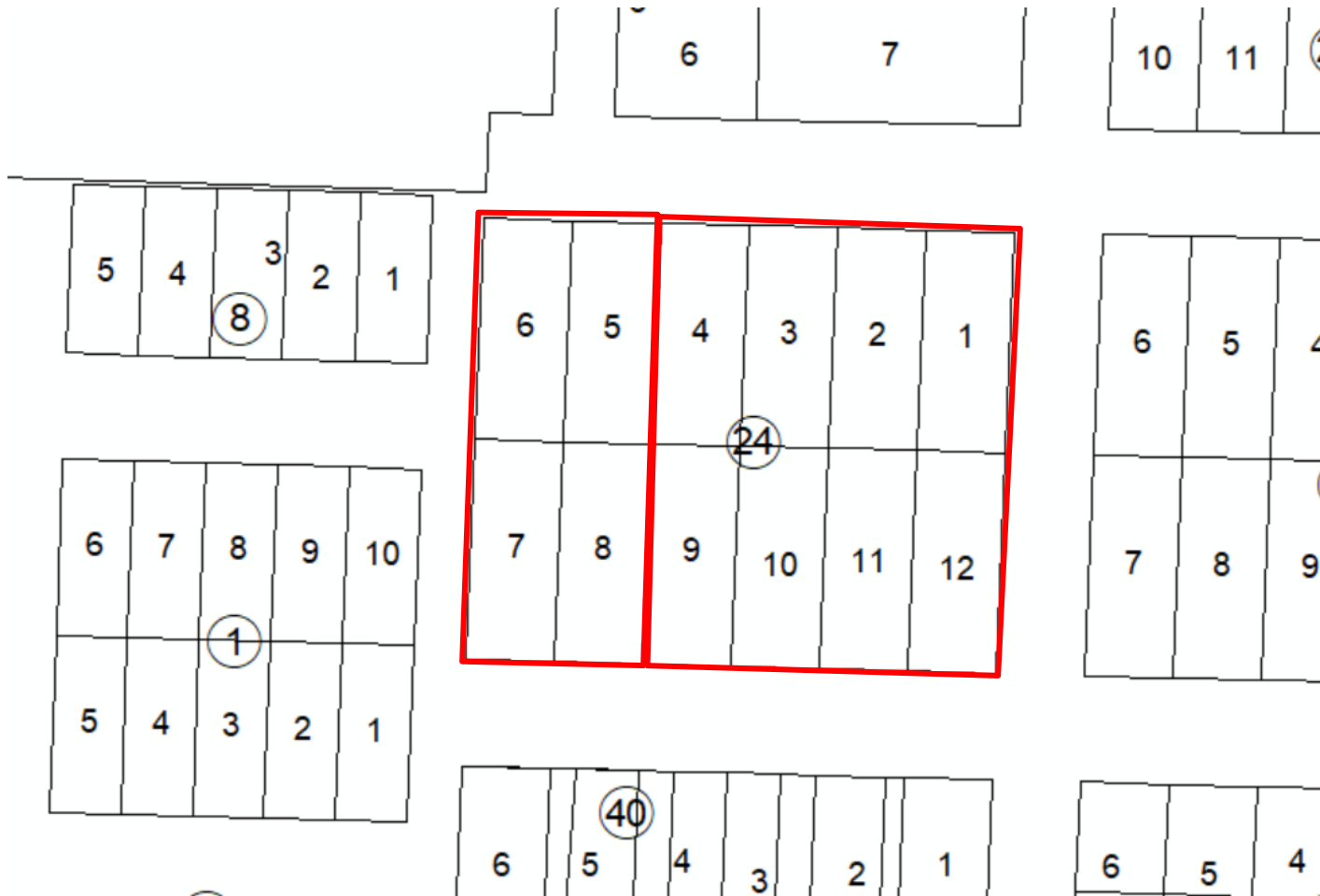
Port Townsend is increasingly experiencing custom home building where the purchaser is exceeding the market, yet there are still cases where economics of development drive decisions making when a developer takes on building a new unit.



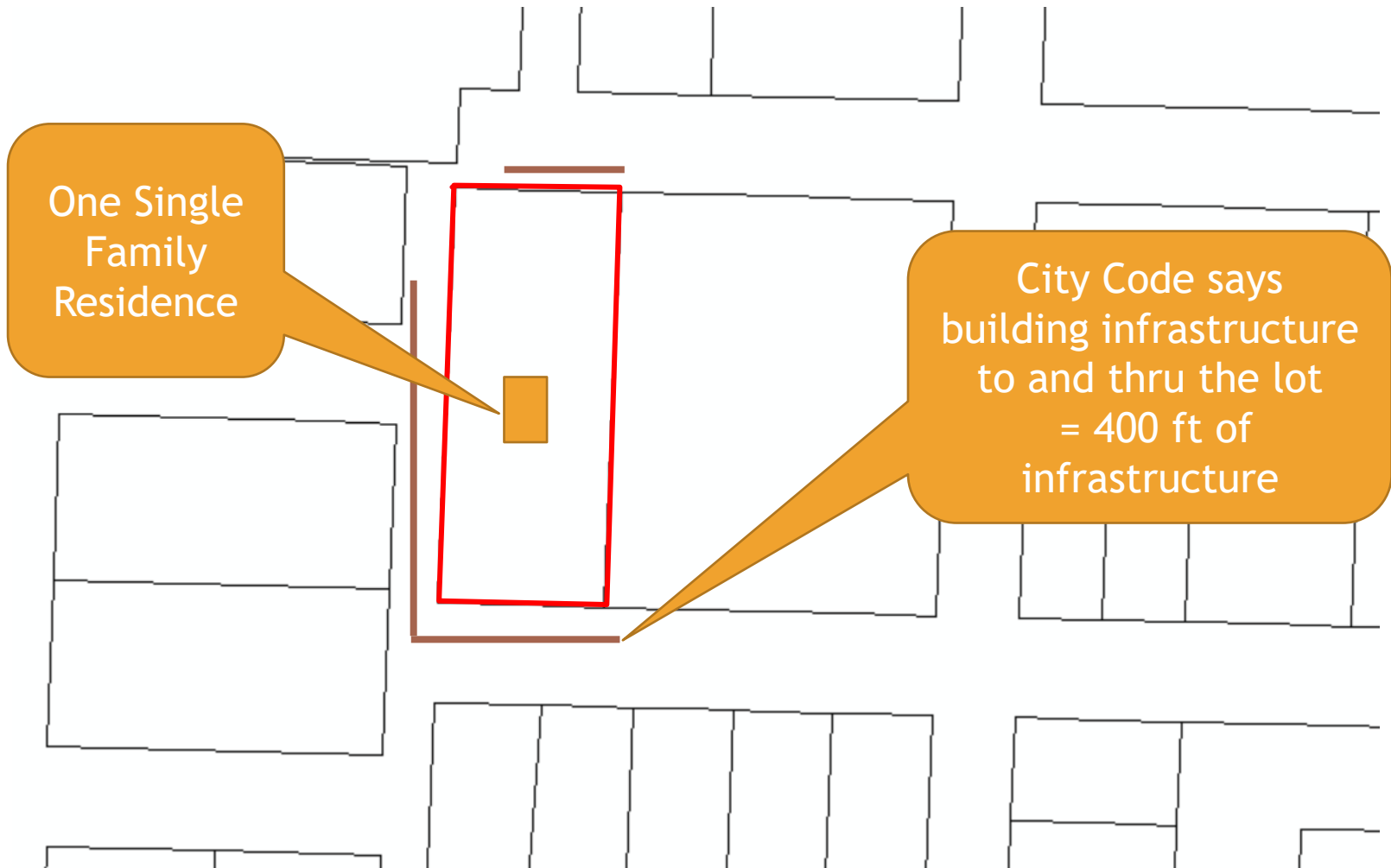
Example – Tax Parcels



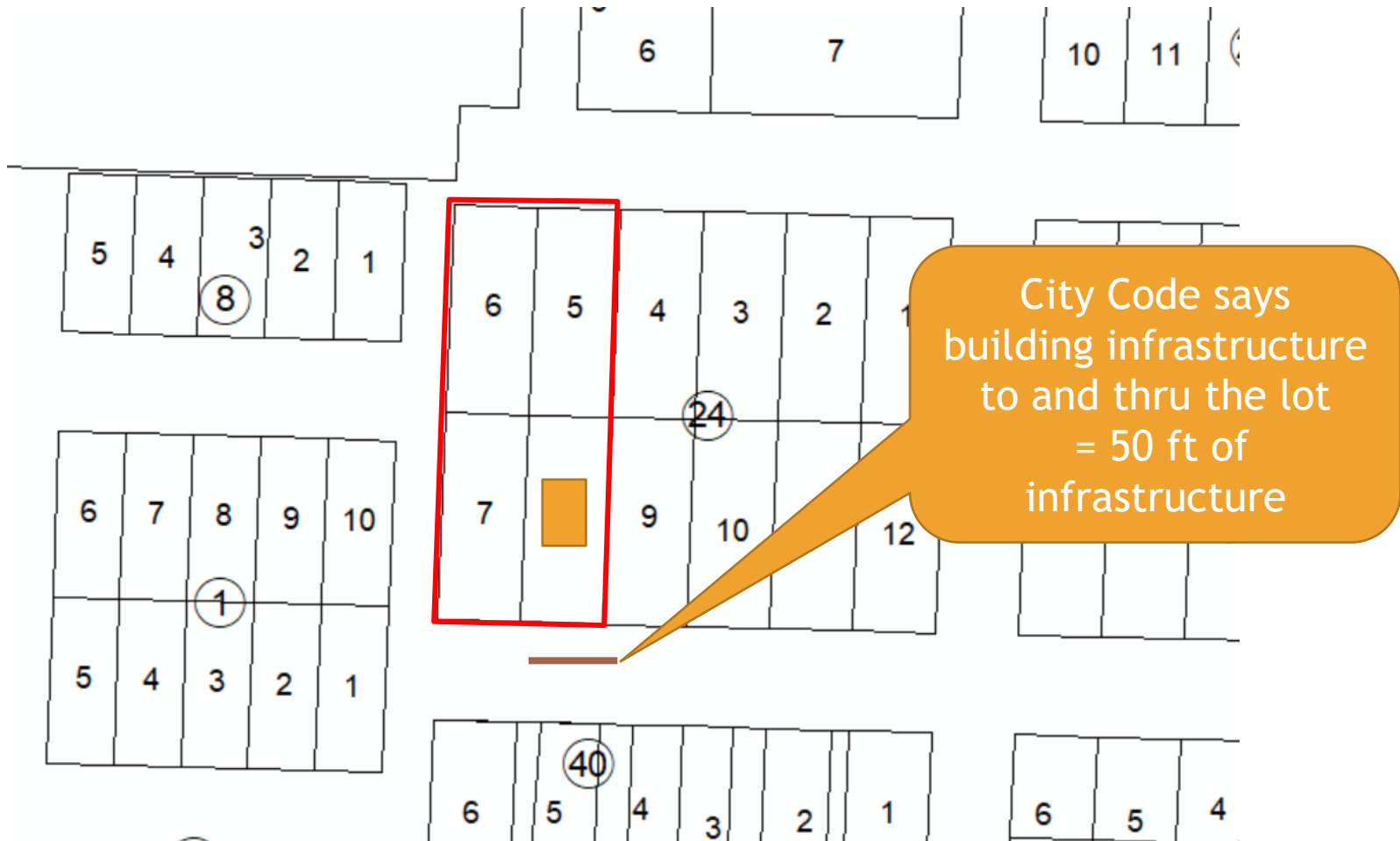
Example – Underlying Lots



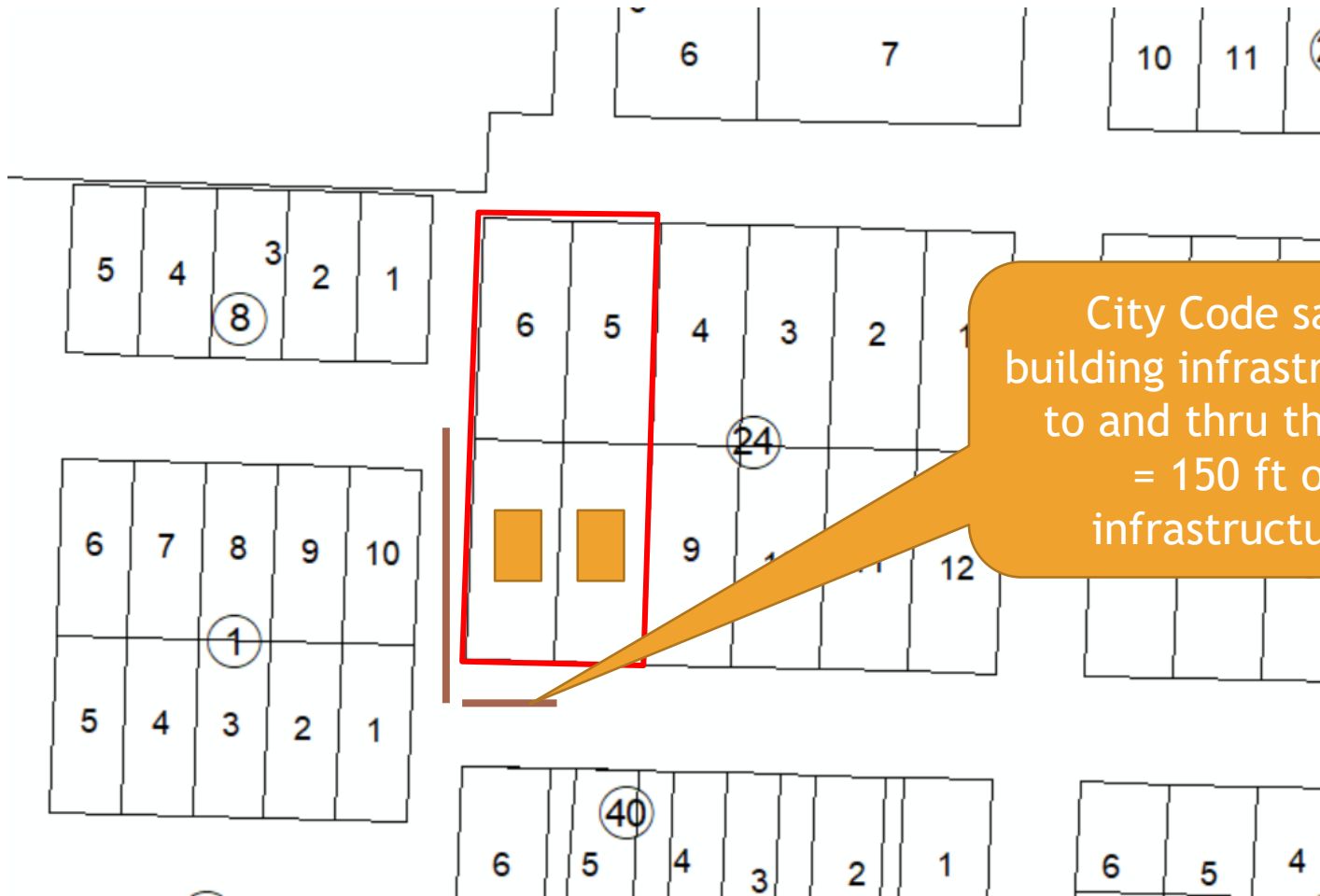
Example – Infrastructure Frontage (large lot)



Example – Frontage For Infill



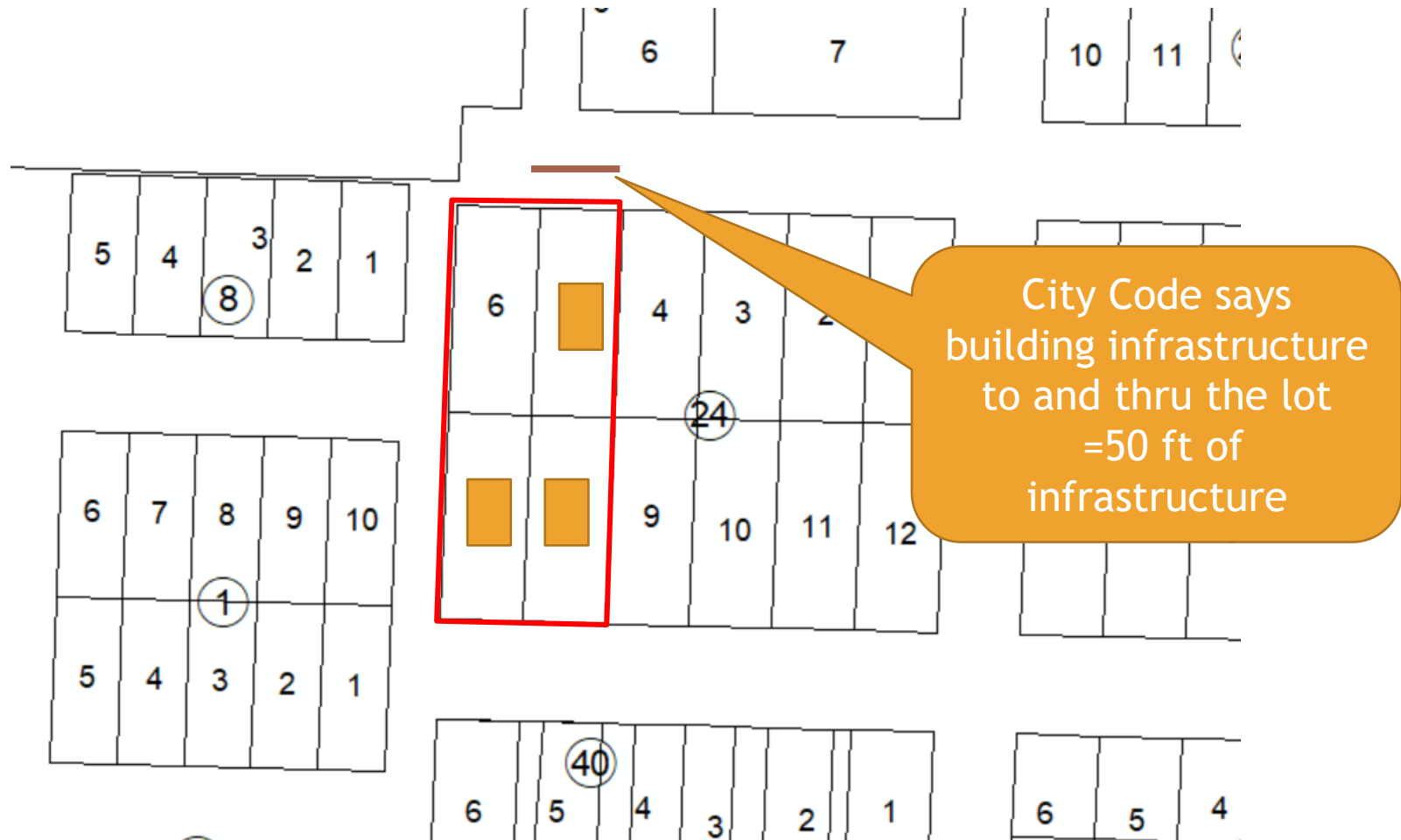
Example – Infill



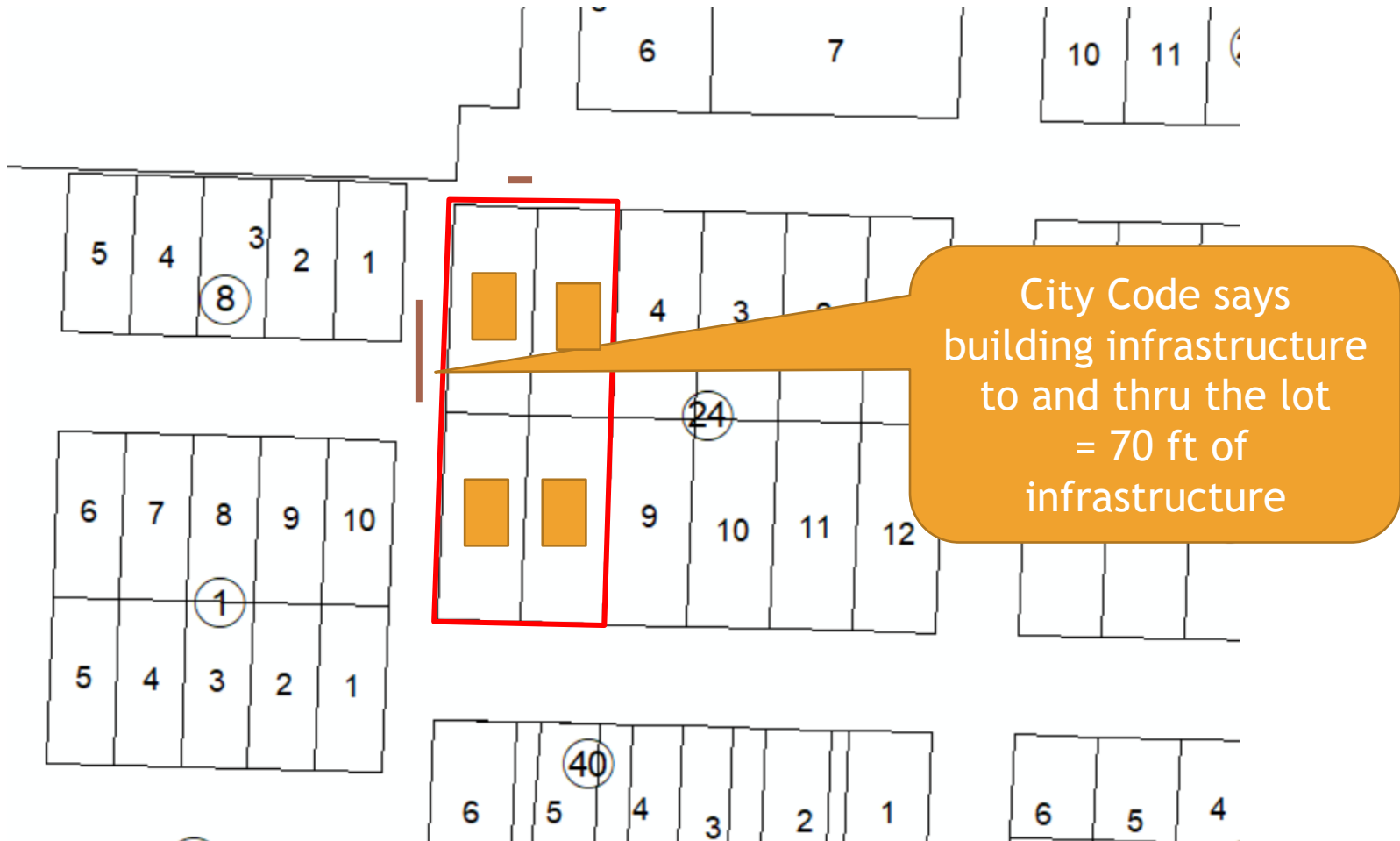
City Code says building infrastructure to and thru the lot = 150 ft of infrastructure



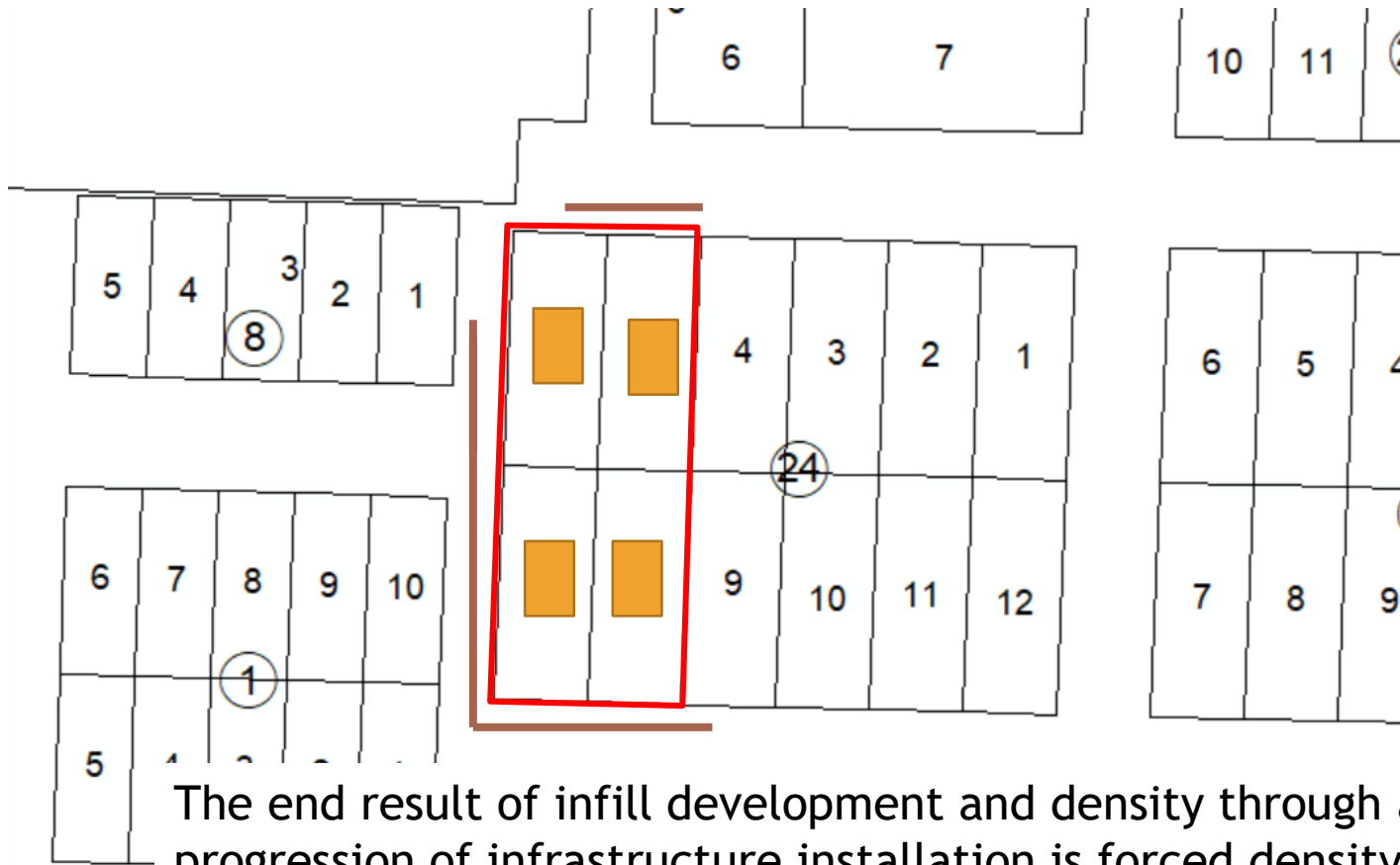
Example – Infill



Example – Infill House #4



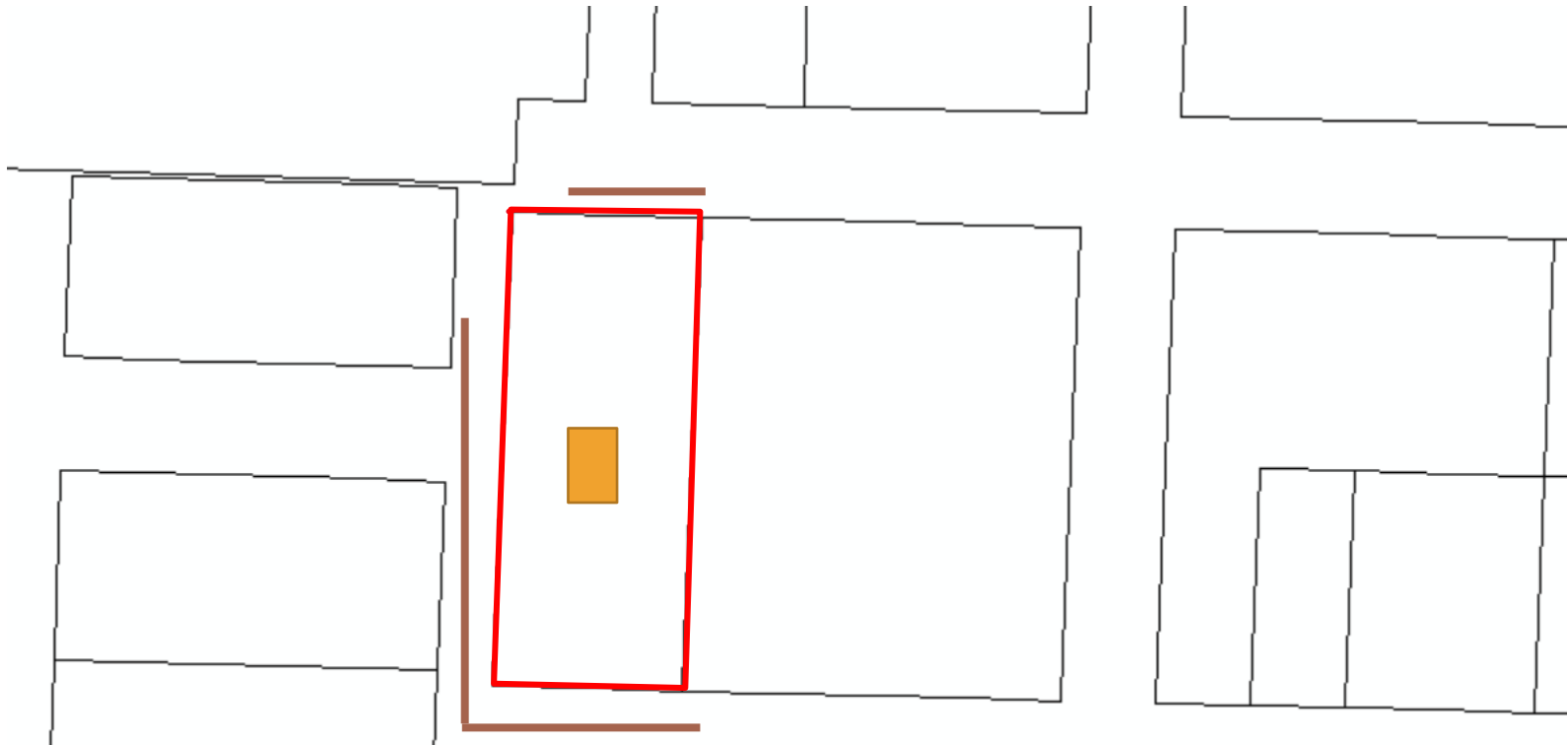
Example – Infill End Result



The end result of infill development and density through a progression of infrastructure installation is forced density. In this case, there is enough land in this example to pay for the infrastructure when the land is used to support 4 houses.



Example – When Market doesn't drive decisions



When the developer is not driven by cost factors and the market is not the driving force, land is purchased for large lot single family housing. Infrastructure fails and infrastructure costs are high for a single house.



Key Principles to Consider

- Requiring infrastructure drives density when market forces **economics** drive decisions.
- Relaxing infrastructure requirements when costs of development do not drive decisions results in subsidy by the public. This usually is manifested in less dense development.
- Requiring infrastructure helps the next parcel of land with access to infrastructure which helps reduce the situations where blocks of lots are not accessible and therefore not reasonably available for any kind of development including dense development. Marooned land is a deal killer for housing.
- Developing an incentive programs for affordable housing to help with infrastructure costs when projects result in infill and dense development may be a good strategy for PT.



Discussion

Encouraging the public to be involved through Engage PT
www.cityofpt.us/engagept

