

UBC group to develop own townhouse project

Initiative is aimed at encouraging professors, staff to live on campus

BY BOB RANSFORD

Imagine developing your own townhouse in a development with your neighbours.

That's exactly what a group of professors and staff members at the University of BC are doing under an innovative new affordable housing initiative aimed at encouraging university faculty and staff to live on campus.

UBC Properties Trust, the University's development arm, is acting as project managers for the second townhouse project of its kind on campus. They are drawing on UBC's employee housing policy that makes leased university land and housing development services available to qualified employees when they come together in a group of at least 10 owners.

Under the scheme, the participants get together and co-develop a townhouse development with the intent that each participant will become an owner of a pre-selected townhouse on completion of the project. Central to the "co-development" concept are substantial cost savings that result in a more affordable form of market housing.

The development participants, who will be the ultimate owners of the homes, expose themselves to a number of the typical development risks, but there are substantial rewards for taking those risks. Besides the satisfaction of developing their own home, developer owners also realize substantial cost savings. These savings are equal to the project normally earned by a developer and the marketing fees normally paid by a developer. These savings can amount to as much as 15 to 20 percent.

Here's how the program works.

UBC Properties Trust arranges for the purchase from the university of a leasehold interest in the land for the project. The plan and design the project and obtain all of the necessary approvals. When there is sufficient interest for a group of prospective homeowners to come together, UBC Properties Trust enters into an agreement with them to act as their agents and project managers in return for a fee. The prospective owners pay a \$2,500 application fee and choose their planned townhouse.

UBC Properties Trust arranges the commitment for construction financing, providing necessary guarantees to the bank, again in return for a fee. They hire all of the

necessary project consultants and complete the final design of the project. Then they arrange a fixed price construction contract with a qualified builder. At that point, developer purchasers make their final commitment to proceed with the project and increase their deposit to five per cent of their total share of the project cost.

UBC Properties Trust helps the owners mitigate some the inherent risks associated with development by providing a cost overrun guarantee, again in return for a fee. The guarantee ensures that the townhouse development costs do not exceed the cost committed by each participant when they committed to the project.

Qualified development managers at UBC Properties Trust oversee the development to ensure that costs do come in on budget.

Payment of the remaining 95 per cent of the owner-developer's proportionate share of the total costs is due upon completion of the project. Normal mortgage financing is available to qualified purchasers.

In order to avoid prospective owners developers from speculating and making a quick gain by "flipping" the home they just developed, the 99-year lease for the townhouse will contain a provision clawing back projects on any sale within the first five years. The claw back called a "supplementary payment" in the lease is on a sliding scale from 100 per cent of any profit initially, diminishing to 0 over a five-year period.

UBC is obligated to make available to faculty, staff and students at least half of all the housing they build on campus. This co-development concept will help them meet this obligation in a very creative way.

The cost savings may be attractive enough for any group of ordinary homebuyers to copy the concept and develop a project off-campus.