



# Development Constraints

# Constraints



- Establish Project Limits
  - Physical
  - Legal / Contractual
  - Political
  - Environmental
  - Market Timing
- Required to establish development form.

# Constraints



- What can you develop on “a” site?
- Highest Best Possible Use
  - What is the max number of Units (apartments, townhouses, retail, commercial etc. that can be put on a site – given the planning and zoning restrictions)

# Highest Best Possible Use



The reasonably probable and legal use of -

- vacant land or an improved property that is
  - physically possible,
  - appropriately supported,
  - financially feasible,
  - and that results in the highest value.
- The four criteria the highest and best use must meet are
  - legal permissibility,
  - physical possibility,
  - financial feasibility,
  - and maximum productivity.
- Alternatively, the probable use of land or improved property – specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value.
  - *The Appraisal Institute (Wikipedia)*



# Developers Perspective



- Maximise Profits
- Establish and income stream
- Market Positioning
  - Luxury, Medium Level, Low Level market segment
- Develop & Hold Vs Develop & Sell
  - Or Both
- Whatever the Goal, the development must “STACK”
  - aka FINANCIALLY VIABLE
- Biggest Bang for the BUCK.

# Physical Constraints



- Planning Schemes
- Zoning
- Overlays

# Physical Constraints



- UK
  - Each country of the United Kingdom has its own planning system that is responsible for town and country planning devolved to the Northern Ireland Assembly, the Scottish Parliament and the Welsh Assembly.
- Australia (Victoria)
  - [www.planning.vic.gov.au/](http://www.planning.vic.gov.au/)
- USA
  - [www.nyc.gov/planning](http://www.nyc.gov/planning)

# Zoning



- USA
  - <https://www1.nyc.gov/site/planning/zoning/index-map.page>
  - <https://zola.planning.nyc.gov/about#9.72/40.7125/-73.733>
- UK
  - <https://data.london.gov.uk/dataset/housing-zones>
  - <https://www.london.ca/business/Planning-Development/zoning-by-law/Pages/HowToUseZBylaw.aspx>
- Australia
  - <http://services.land.vic.gov.au/maps/interactive.jsp>

# Physical Constraints



- Built Areas / FSR (Floor Space Ratios)
- Setbacks
- Land Use
- Height Restrictions
- Vegetation Protection
- Cultural Heritage / Conservation Areas
- Low, Medium & High Density etc.

# Built Areas / FSR (Floor Space Ratios)



PDS FSF v3.0 (Australian)  
[www.PropertyDevelopmentSystem.com](http://www.PropertyDevelopmentSystem.com)

## Project Summary

123 Sample Project

## Analysis Start Date

28-Apr-18

[View Map](#)



### Property Stats (m2)

Gross Site Area	1000		# of Units (Resi+Comm.)	11	
Density (FSR %)		1.5:1	Net Saleable Area (NSA)	1,350	
Site Coverage (GFA)	1500		Net Leaseable Area (NLA)	899	
Total Built Area	5,154		NSA + NLA	2,249	
Garden Area	554		Permeable Ar.	32%	315
Atctual Site Coverage	803	80%	Garden Area	55%	554

### GST

### Project Description

GST Rate	10%	11 Townhouses. 8 x 3 Bedroom and 3 x 2 Bedroom	
GST on Land	No ▾	Builders Margin	6.5%
Margin Scheme	Yes ▾	Contingency - Cost Heads	0.0%
BAS Lodged	Monthly ▾	Contingency - Construction	5.0%

# Set Backs



# Land Use (Zoning)



- Commercial
- Residential
- Mixed Use
- Agricultural
- Industrial



# Physical Constraints



- Height Restrictions
- Vegetation Protection
- Cultural Heritage / Conservation Areas
- Low, Medium & High Density etc.

## Legal / Contractual



- Contract of Sale (Land)
  - Contract to Purchase the land
  - Cost of Land
  - Settlement Time / Date (contract completion date)
  - Deposit Time / Staged Payments
  - Unconditional Date
  - Vendor's (Sellers) Rights

# Legal / Contractual



- Building / Construction Contract
  - Cost of Construction
  - Deposit Required
  - Length of Contract (Build)
    - Delivery Deadline
    - Price Fluctuations
  - Retention Period
  - Type of Build Contract
    - Fixed or Variable Price Contract
    - Cost +
    - Cost + Max Price
    - Design & Construct.

## Legal / Contractual



- Clear Boundaries
  - Re-Establishment of Title (Survey)
- Rights over land
  - Easements
  - Rights given to statutory authorities (Gas, Water & Electricity)
  - Their potential existence and location

## Legal / Contractual



- Contract of Sale
  - Right to sell
  - Right to lease

# Environmental Constraints



- Building's exposure to weather elements
  - Exposure to sun
  - Wind
  - Rain
  - Flood zones
- Land Contamination
- Carbon foot print
  - Energy efficiency
  - ESD (Environmentally Sustainable Design)

# Market Cycle



- Timing
  - Development should be timed to hit the on an upturn.
- Supply & Demand
  - What else will the development be competing with when it comes on the market.
- Retail / Commercial Developments
  - Must hit to market in time for selling season
- Hotels & Accommodation Developments
  - Must hit the market before an event
- Residential (closer to beaches – location sensitive)
  - Must hit the market in spring / summer
  - They lose their appeal in winter

# Finance – *Numero Uno*



- Source
  - Equity Finance
    - Capital Raised
    - Developers Equity
  - Debt Finance
    - Banks
    - Specialist Lenders
- Structure
  - Senior debt
  - Mezzanine debt
  - Joint Venture
- Cost
  - Establishment Costs
  - Monthly Fees
  - Brokerage Fees
  - Interest Costs
    - Simply / Compounding.
    - Calculated Daily, Monthly etc.
    - Interest Capitalised