

Ground Control: Farm Team

Farmers in the Twin Cities region bide time as developers await the right deal.

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By Judi Hasson

Joe Fogarty deals in land, and over the past few years, his real estate agency's land sales business was through the roof as area farmers sold off entire farms that had been in their families for generations, feeding the land-hungry developers.

But these days in the city of Woodbury, Minn., there are few farmers left who want to sell land, and even fewer builders willing to buy it.

Until recently, the community, about 15 minutes from downtown St. Paul, Minn., has been a new-home building hub for nearly two dozen home builders, but land sales have stalled for a couple of reasons, according to Fogarty.

The biggest is that the town of 57,000 residents has decided to control growth, allowing raw land to be opened up only parcel by parcel. Right now, Woodbury is in Phase 1 of its master development plan, which will end in 2020. Under this first phase, which will be completed in 2009, about 600 new housing units a year will be built, a far cry from the 1990s, when the pace was more like 1,500 new units a year.

Second, the softening housing market. K. Hovnanian walked away from options to purchase 50 acres here, and though Pulte Homes picked them up, it, too, walked away.

“We do not have a great excess of lot inventory. We're in balance in Woodbury,” Fogarty says. “I think there are people willing to sell land if they find an attractive price. [But] the builders have the ability to sit back and wait.”

With a slow growth policy, builders are doing just that. The smattering of farmers left in the community are also biding their time. They look at land as a retirement asset that they'll cash in one day in the future, on their terms.

Paul Burandt farms 75 acres that have been in his family since 1872. Now, the 47-year-old farmer rents



Courtesy Habitat for Humanity
FIELDS OF AMERICAN DREAMS: Habitat for Humanity is building affordable homes on former farmland in Woodbury, Minn., as part of an arrangement with local officials.

additional farmland to supplement his grain crops and cattle rearing, but that land is becoming scarce as more and more lots are being sold for development. Over the years, Burandt has been approached to sell his land, but he is waiting for a better price.

“It's inevitable, given the proximity in the metropolitan area,” Burandt says. “But it's a double-edged sword. It's the demise of your career, but if you want to be rich, you have to quit your life farming the land. We have the best of both worlds. We have the worst of both worlds.”

Jacob Jordan, 82, has worked his 120-acre farm all his life. His son, Jake, says his father has no intention of ever selling. “People call all the time. Dad entertains these offers. But right now, Dad says, ‘I'm not interested.’ Dad would probably sell a portion off the back. But he wants to die here,” Jake explains.

The elder Jordan and Burandt are part of a fading breed. “There really aren't many farmers here. They sold out long ago. Most of the land is held by developers,” Fogarty says.

Still for Sale

Few people are willing to talk about the 50 acres of land that K. Hovnanian walked away from last fall. Tim Thone, the original landowner who runs Thone Development Co. in Woodbury, declined to talk about it, as did executives from K. Hovnanian.



Courtesy Habitat for Humanity

PRICE IS RIGHT: Habitat for Humanity is selling townhouses in Woodbury, Minn., for about \$210,000. New homeowners are required to put \$50 a month in a maintenance escrow.

Pulte, which is building single-family and attached homes in the area that are priced in from the \$350,000s to \$500,000s, is in Woodbury for the long haul. “Woodbury's been good for us,” says Jason Wedel, director of development for Pulte in Minnesota. He says it was “a little of everything,” including land prices and market slowdowns, that prompted Pulte to walk away from Thone's land. Nevertheless, Pulte is moving ahead with its other building plans, he says.

City Mayor Bill Hargis says that most of the vacant land in Woodbury has been spoken for or optioned even though it may be 2020 before builders get a chance to put down sticks. Woodbury is now about 50 percent developed, he says, and housing is still in demand. Land is cheaper for builders if they have to wait to build, he says. Land is currently selling for \$100,000 to \$200,000 an acre, when it does sell, according to Fogarty.

With its easy commute to St. Paul and Minneapolis and easy access to major highways, “People want to live here,” Hargis says. “We have a city being developed in phases. The developers know the phasing plan. We're in Phase 1.”

Still, the housing slowdown has hit Woodbury, too. Townhouses are selling, but the resale market has slowed down, Hargis says.

“It didn't hit Woodbury as quickly, but the entire Twin Cities region has been hit by the housing slowdown,” says John Rausch, a land dealer with United Properties that does business in the Twin Cities. Land sellers are now turning to commercial and industrial users to buy their property, he says. Industrial land sales are healthy. “Office is beginning to gain some strength. Retail is slowing down. Housing is the slowest of all property types,” Rausch says.

Habitat for Humanity is building in Woodbury—48 homes are currently under construction or planned. A partnership with Centex Corp. will give Habitat the ability to build 30 new homes: The nonprofit builder is

now looking for a land bank to help it buy lots at better prices.

“We'll buy land from anybody,” says Karl Batalden, specialist in government and community relations at the Twin Cities Habitat for Humanity. “What seems to work for us is to buy land from government entities and developers, the big developers. Land development is their business, so we can pay a premium to get that land and the developers has done platting, zoning. It's pad-ready land.”

Unlike Las Vegas and Phoenix, which have huge tracts of land to develop, Batalden says land around Minneapolis and St. Paul is at a premium. And in 2007, Habitat for Humanity hopes to start working with a land bank that buys raw land and focus on new production in the suburbs while preserving housing stock in the inner city. “We're at this point in time where the market has slowed down, and land prices have stabilized,” he says.

Headed South

Nonetheless, builders and developers are extending their reach beyond the city of Woodbury. The next town south, Cottage Grove, is smaller, but it is here that builders may find the next opportunity in the Twin Cities' suburbs.

The city of 34,000 residents is planning to open a 4,000-acre area known as East Raven. Although 179 homes were built in Cottage Grove in 2006, city officials plan to extend sewer and utility lines to East Raven this spring in the expectation that it will be developed, according to John McCool, Cottage Grove's senior planner.

Ralph McHattie, 86, is ready to stop farming his 89 acres. His land has been optioned by Homes by Chase, and he's got “up front money” in the bank. His wife wants a one-story house to live in, and he wants to move on. While the property was supposed to close in spring 2006, nothing has happened yet. But McHattie isn't worried because he recently got more option money from the company.

“I believe Cottage Grove will still stay in the 300 to 400 home range a year,” says Fogarty who has been working with McHattie on the deal. “There is some inventory becoming available. But nothing is being done yet.”

—*Judi Hasson*

Shore Bet

John Laing Homes claims an old industrial park and breathes new life into a California coastal town.

Executives at John Laing Homes' struck upon 17 acres in Port Hueneme, Calif., a floundering light industrial zone used to park cars. That was five years ago. Since then, the company has campaigned to convince the California Coastal Commission and the Ventura County community that the parcel would serve better as a place for homes than to go on languishing as an eyesore.

Nothing came easy. The commission likes to keep coastal property free of development. But John Laing and Port Hueneme managed to convince the conservation group that building 64 single-family homes on 10 acres of land and 86 townhouses on approximately seven acres would be a good deal for everyone.

“This project required a huge undertaking of partnership between the city and residents. It was a persistent and continuing involvement for three-and-a-half years,” says Casey Beyer, director of community development for John Laing.



Courtesy John Laing Homes

HOME AT LAST: At Port Hueneme, John Laing Homes is building single-family and townhouses. The first townhouses, selling between \$400,000 and \$500,000, are expected to be ready this spring.

It was a lesson in how to become part of a community, in this case an old naval town 60 miles northwest of Los Angeles that had long run out of housing. And it is instructive for all in how to develop infill in a region that is out of space. Port Hueneme, like many California communities, must redevelop existing land and structures for new housing. The town currently has only one-and-a-half acres available for new residential housing and eight acres for industrial use.

“From the city's perspective, it's infill development. Port Hueneme is a built-out community, and this is sustainable, smart growth,” says Greg Brown, Port Hueneme's community development director.

All in Flavor

John Laing wanted the property badly. In 2004, the builder hired a consulting group to develop a strategic plan to influence public opinion about the housing development. Not only that, its employees volunteered at local boys and girls clubs and were involved with the local business community. “They were part of the Ventura County community,” says Anthony Volante, the three-term mayor who just stepped down.

“They got the community behind it. We want this project. We don't want you just cementing it over. There wouldn't have been any revenue stream,” Volante says.

The company faced problems along the way. The local port authority—the Oxnard Harbor District—wanted the land for a vehicle storage facility to store a growing inventory of imported cars. Port Hueneme is the port of entry for imported BMWs and other high-end foreign cars. The Coastal Commission, at first, backed the Oxnard Harbor District, citing a state law that gives port-related uses of coastal property priority.

But John Laing, with the backing of the community, won the right to build on the property after pledging it would give nine townhouses to the city for affordable rentals and dedicate a park in honor of the Native American Chumash tribe that lived in the region for generations. On Dec. 1, 2006, the company broke ground for the project.

The first models will be up in the spring 2007, and John Laing thinks they will be an easy sell. “They are very marketable. It is an area in high demand,” Beyer says.

While sale prices have not been firmly established, Beyer anticipates they will be priced in the \$800,000s for single-family homes and in the \$400,000 to \$500,000 range for townhouses. People commute into Los Angeles from the region, as well as to jobs in the San Fernando Valley, according to Beyer. And the new housing will fill a sorely needed housing gap in the region.

Beyer says Port Hueneme gets an extra bonus, too. John Laing also agreed to clean up the industrial part and get rid of any toxins. “For [more than] 20 years, the land was lying dormant,” he says. “The property was zoned in the 1950s as an industrial zone.”

There are still challenges to find residential housing, according to Brown. “There's not that much more land left,” he says. “Basically, what we do is redevelopment, identifying unused and dysfunctional land.”

Volante describes what happened in Port Hueneme as a dream come true. “It's a fairy tale because of the fact that it is tough overcoming a lot of different odds. It goes to show you that talking to the community and the coastal commission works,” he says.

—*Judi Hasson*

New Rules

Pennsylvania builder challenges zoning ordinances that inhibit creative building.

Rob Bowman wants to wrestle the past to the ground. As president of Charter Homes and Neighborhoods, the Pennsylvania home builder is tackling ordinances that are decades old and working to find a better way to use land and build new houses without the constraints of outdated zoning rules.

Five years ago, Bowman was walking a piece of ground and realized that local ordinances in central Pennsylvania date back to World War II and do not reflect changes in the building industry nor what today's customers want. “To develop it conventionally was the wrong thing to do because it was such an amazing property,” Bowman says.



Courtesy Charter Homes And Neighborhoods

REVISITING THE PAST: Charter Homes is challenging old zoning ordinances in order to build the new homes and communities that 21st-century buyers want.

For example, older zoning regulations require alleys in the back of every house; insist that a street built to a specific width, far wider than a neighborhood thoroughfare where people can run across the street to borrow a shovel; and demand storm drainage and home setbacks that prevent today's builders from developing planned communities in innovative ways.

So, Bowman is helping municipalities work to redraft zoning in nine neighborhoods in central Pennsylvania's Lancaster County to get ready for the rapid growth that is being forecasted for the region.

But every change requires a partnership with a local municipality and a commitment to preserve valuable land assets such as rolling hills, streams, and pastures. Bowman rolled up his sleeves and went to work.

Working with a land planner, Charter Homes spent two years to get approvals its Mill Creek project, where it wanted to preserve beautiful architecture pieces such as an old barn. And by preserving it, Bowman says, “it honors what was there and allows the property to become part of the story.” “We see the vision and are willing to take a leap of faith to make it happen,” he says.

Charter looked at new ways to design neighborhoods, too. It is building a 183-home community located in East Hempfield, Pa., that includes a one-acre lawn in many backyards with access to open space, walking trails, and a playground.

In the past, East Hempfield Township was filled with conventional subdivisions. “All you saw were packs of housing, not the most architecturally interesting,” Bowman says, “We realized they all faced the street.” He

set out to work with the local municipality and change the zoning to create a neighborhood instead of tract housing in a single-family and townhouse community called Veranda.



Courtesy Charter Homes And Neighborhoods
MIXING OLD AND NEW: With stone fronts and wraparound porches, Charter Homes is reflecting the area's past as it builds new homes using new zoning rules.

In another Charter community, Bowman worked with the local municipality to make the streets narrower to encourage neighborhood interactions. The community—Walden, in Silver Spring Township, Pa.—includes accessible shopping and a 34-acre park.

“We want people to feel connected to every part of Walden, the first neighborhood of its kind in the region,” Bowman says.

In each case, Bowman sat down with municipal officers and told them “We want to develop in a different way. What most ordinances don't speak to is about how we are going to take an opportunity and really add to the legacy.”

Mindful of the history throughout central Pennsylvania, Bowman says he wants to preserve it and build new communities around it. “For the most part, our goal is to work very closely with the municipal leadership. In the end, do we have ordinances that [say] ‘you must do that?’ Yes, we do get stuck with a couple of things.”

—*Judi Hasson*

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