

Summary: WebChat #46

Cohousing and Coronavirus – Development Landscape

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Background on UD+P

- UD+P based in Portland, 8-9 years.
- Projects:
 - Cohousing projects, including PDX Commons.
 - Other investment development: multifamily, offices; mostly urban.
 - Portland, West Coast.
- Currently working with 6 cohousing communities in development phase.
- Most of their projects right now are about to start construction or in development phase.

Highlights

- This may actually be a **good** time for cohousing in development.
- Talk to your professionals.
- Develop a plan.
- Communicate with your community and your market.

Construction & Development: How to Navigate the Corona Virus Situation

- It's different in every state:
 - Oregon: Construction still moving forward, 60% staff, a little slower. No supply chain issues.
 - Haystack Heights ready to break ground.
 - Washington State: Lockdown. (Spokane project.)
 - California: Allowing housing to move forward: vital need.
- Contractors:
 - Want to work. General contractors and subcontractors are nimble in figuring out how to keep people safe and keep crews productive.
 - Constantly changing situation, have to adjust to new regulations every morning.
- Supply chain:
 - Preparing for slowdown on projects, thinking ahead.
 - Not an issue yet.
- Main areas of concern for cohousing groups during development:
 - Construction
 - Financing
 - Community-building
- Financing
 - In general, good response from construction lenders.
 - Near-future loans, active lending, and holding mortgages: all are functioning.
 - Not like 2008-9, they have capital to lend.
 - Spokane project breaking ground in a couple weeks, finishing loan documents.
 - Questions important to lenders:
 - How is the community? Are buyers getting nervous?
 - How is the developer feeling (as guarantor of loan)?
 - It's a relatively short-term issue. If the cohousing community and developer are behind it, the lender is willing to move forward.
 - Interest rates:

- Fed rate dropped, so construction loan rate dropped.
 - Example of a current project: 3-4 months before start of construction, saving \$75K in lending cost.
 - There's a benefit for projects moving forward now.
- How does a cohousing community move forward at the right pace?
 - Create a plan (Development Committee).
 - Identify what steps get you where you need to go.
 - Hold weekly meetings/calls between community and development team. Focus on plan and communicate to members.
 - UD+P's cohousing groups are having regular meetings with UD+P and Katie McCamant (their development consultant).
 - Cash flow and schedule readjustment.
 - Most crucial piece is cash flow. How much more money is needed to continue to move forward if no new members join now. Look more deeply at cash flow, adjust the schedule of when money is spent.
 - Understand the critical path – be it land use submittal, design workshops, finalizing design development: how can you keep on schedule while delaying things that are not critical path.
 - Communicate well to community at large.
 - Some members won't be able to make a cash call soon, for example 401k that has gone down. Stretching out cash flow makes it work for them.
 - Talk with your professional partners – developer, architect, etc. They can help you brainstorm based on your goals. (For example, how to move forward without new members.)
- Marketing in this time:
 - Communities are still bringing on new members.
 - Articulate your path and how to move forward to get new members.
 - Talk to new members, educate them on the budget plan.
 - This is one reason why all members need to understand the development details: the marketing team needs the context in order to communicate with prospective members.
 - Some communities invite explorers to sit in on development calls. This approach lets explorers see the core group working hard, which encourages interest.
 - Katie McCamant's #1 advice: Don't go dark!
 - Overcommunicate if anything. If you pause, people think it's over.
 - Non-critical-path meetings: You can delay them, but pick a new date so people see a set timeframe, not something in limbo.
- Pricing:
 - UD+P currently actively pricing 2 projects, getting live bids.
 - Seeing savings in pricing.
 - Not super-competitive.
 - Anticipate easing in construction pricing. (Even in 2008-9, not much of a dip.)
 - Contractors:
 - Contractors are more concerned about what new project might be out there.
 - Let bidding contractors know you are moving forward, you will get attention from them.

- Make sure general contractor and subcontractors have the financial capability to finish the project. You don't want to capitalize on people in a down position. Some small subs will probably go out of business.
- Materials:
 - Seeing more competitiveness.
 - Retail side is closed, so they want to get orders in the door through commercial customers.
 - If breaking ground relatively soon (e.g., UD+P is breaking ground in 2 months on one of their projects):
 - Procure some supplies early. You don't want supplies to run short, so work with key subcontractors to get orders in through supply houses.
 - Negotiate pre-purchase savings.

Additional Highlights from Q&A and Discussion:

- It's a good time to get a home mortgage or refinance.
- Financing is cheap right now, good time for communities to be building.
- Investment in development always has a risk attached, and the risk feels bigger right now. What kind of messaging does a group give to potential members?
 - Look again at member discounts, consider giving new members the same discount as you gave the early members who took a big risk.
 - Say you give a \$20K discount and bring in 2-3 new members: That's money well spent, it keeps the project going and pays for carrying costs.
- If you're having a cash call, be flexible. Adjust the minimum requirement. People are hit differently. Keep members on board and involved.
- Get enough members to close a project out.
- Communicate! With each other, with explorers, with future prospects, with developers. Talk it through and support each other.
- Marketing:
 - Reach out (virtually) with new information on how you're adapting.
 - Tell stories, put out cohousing stories on your Facebook feed (e.g., social-distance dancing in the courtyard).
 - Talking about crisis when there's not a crisis is not good marketing, but now it is.
- The larger community of cohousing communities:
 - The community of communities: how much we offer each other.
 - People are rethinking their values now, it could be good for cohousing.
 - Share your stories: Whether you're a forming or existing community, send your stories to CohoUS (to Karen Gimnig), post pictures.