

EPISODE 1430

[INTRODUCTION]

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Whitney Sewell (WS): This is your daily Real Estate Syndication Show. I'm your host, Whitney Sewell. Today our guest, Michael Zaransky, and I, dive back into some specific things around ground-up development that you need to know it. And again, it doesn't matter if you're active operator or passive, you need to know many of these things. You need to know if you're passive. And you need to ask the operator about some of these things, right? You need to know if they know about these things or have asked these questions.

WS: He's the founder and managing principal of MZ Capital Partners. He specializes in ground-up construction that caters to by-choice renters and workforce housing. They've just done some amazing projects and have created a process where they can lace up a project very quickly which right saves a ton of money, makes a ton of money and makes a major difference in development or ground-up construction project. And he's gonna dive into many aspects of that today. One being ground up when it talks about government approvals entitlements. You're gonna learn that today.

[INTERVIEW]

WS: Michael, welcome back to the show. Honored to continue some segments with you as we dive into ground-up construction, what does that look like? What does that mean? Those things that we covered in the last segment. I want to spend time with you now diving into and how to win that local government's approval and entitlements. And I mean, it's difficult to write

sometimes, and sometimes more difficult than others. But I want to just hear from your experience, and let's help the listener and myself to do this better, and have a higher potential level of success on winning the local government's approval. So let's dive in there and what that looks like for you?

MZ: Well, I think the first key is to provide the local government with a product that you and a good city planner have determined is actually good for the city, not just good for the developer. And very often, we do our homework in advance, we're able to derive the goals and the needs of the city. By reading their master plan, they usually have a master plan for development. They usually over the years have had studies done, it's available online, through the city municipality, on the needs of the community. And very often in today's environment, frankly, most forward-thinking cities and municipalities with professional planning departments are looking for a variety and a diversity of housing products.

MZ: They're looking to provide both single-family home, for sale environments for people that want to live and work in the community. But more and more, they're looking for quality rental housing for people that want to live and work in the community but maybe either can't afford a down payment on a home, or by choice choose to rent because they're taking a job that might be for two or three years, and they don't know if it's gonna work out. Whether they're a young person just starting now, maybe they were born and raised in the community, and they're moving out of their parent's house for the first time. And they want to stay in that community because their job is there, their friends or there are some retail and entertainment options that they have been alike in the town.

MZ: More and more communities are receptive to the idea of rental housing, especially professionally managed, and quality construction in their communities as broadening the type of housing type that's available. So that's a good way to get off to a good start. And to initially propose it. We also have found for us, at least when we go in and discuss a particular project is to come in with a plan that does not max out or exceed. This has only been in building code requirements within the zoning district that we're asking for. For example, if we're asking for multifamily zoning, and that zoning district allows up to four storeys in height. And let's say a

particular size parcel 190 units will come in with a plan that's either two storeys or three storeys in height with 150 units. And we'll make a point of the fact that we intentionally are doing a very low-density site that will contribute much less of a problem to traffic which is always an issue that's a trigger for neighbors and for the city. It'll have less of an impact on parks and on school districts, which is another item They're always looking at and will fit in with the neighborhood and be a differentiator as compared to other more dense or higher-rise apartment buildings in their city.

MZ: So that's been our approach. There are other developers that will just max the site in terms of density, they tend to run into more opposition, both from neighbors and from the city. And we found that it worked for us. We also very, very much are increasingly into heavy beyond code required landscaping on the site to really make it beautiful, lots of trees to make an environmentally friendly, some natural areas and dog walking areas, and drawing parks, and to meet and exceed energy code requirements. So that the deal that we're proposing are very environmental-friendly. Today, because the attraction from municipalities is electric vehicle charging stations to put them in from the get-go, it's hard to do an existing property. We also put the infrastructure and add them while we're still, before we pave so that we can do the conduit piping underground, and use all energy efficient materials when we do our building. So that we like to present a project that professional planning staff and administration at the city that easily sell to their planning commission, and to the neighbors and to their city council. We try and work with them and make their job easier rather than fight them and push for more.

WS: I think you hit the nail on the head, even in the last commentary, I mean, you're working with them trying to make their job easier. I mean, as you develop that relationship, no doubt that's going to help you to get more approvals in the future, right? They know you're going to be easy to work with. Maybe you can speak to that, even building that relationship with these individuals. And maybe you've talked about a couple of different people that are crucial in this process. But maybe you can elaborate on that a little bit. And the relationships with specific people that need to be made.

MZ: Yeah, the relationships, I think are key. A planning world is also kind of a small world. So we know, when we first come into a community, we get checked out within the planning community. When we make a presentation and show them the quality of some of our other developments and other communities we know, you know, when we leave the room, they're picking up the phone and calling plan in those other cities. So, we want a good send-off and good recommendations from them. That's very helpful. And it's also just the way I like to do business; it's easier, and it's better to be friendly and have a relationship. And when a suggestion comes from a planning department about, for example, concern about a particular neighbor who's backing up to a proposed building, we'll go ahead and do things like say, well, would you like us to put in some more trees? Do you want us to put in a fence? And they'll typically say that would be great, if we could do that. And we'll say, "done, no problem". And those relationships of getting the planning staff and the city on board are really key. And then the next step is the neighborhood, the citizens of that place and to explain to them the value of the deal, how we're not this big, bad developer coming in to ruin their life and bring traffic jams and flooding to their neighborhood.

WS: Yeah. So back on one thing there you said, presenting to the planning committee, is that done before potentially you have a project? Could you do that just to present your company and some of those things to start building those relationships? Or would you wait till there's actually a project at hand?

MZ: We go in very early, went right when we're under contract. We don't like to go in before we're under contract on a piece of land and have it tied up. Because once you do that, you know the word is out on the street that a piece of property is in play and it may end up in the hands of the competitor and other developers. So we want to make sure we have it tied up. But once we do that very preliminary before we have spent any money on heavy architectural drawings or engineering costs, we will go in and have an informal meeting, introduce ourselves, give some brochures about our company and some pictures and examples of layouts and elevations of other projects that we've done in the past within that state. And, you know, get a read and reaction from them at that time and establish the relationship. Once we get the green light at that stage of some receptiveness, that's when we kick up the diligence and the cost of

presenting the full-blown plan but we wait till we get that green light before we start spending lots and lots of money.

WS: Sure, that makes a lot of sense. Speak to also, when does it happen that you need to present to the community like you were talking about and what does that process look like?

MZ: So, we do that a little differently as well. We found a really good recipe for success. The legal technical, formal requirement everywhere, is that once an application for rezoning or variances is submitted, it gets on the agenda of the planning commission of that particular town. Sometimes, you know, they're called by different names, but it's usually Planning and Development, or sometimes it's called Planning and Zoning. It goes to that committee, which are people from the community that are volunteers that are usually appointed by the mayor and confirmed by the city council. And the formal requirement is that at that time, once it's put on the agenda for the planning commission, that neighbors within a certain proximity to the piece of land, it's usually 200 to 500 feet, you have to get a formal notice that we're required to send through the city. There's a sign that gets put up on the piece of land that announces the date and time of the public hearing. And there's also an ad that has to be taken out on the local paper announcing it. That's the formal legal process. And then there's the actual hearing, where we make our presentation and members of the public, including the neighbors, are allowed to get up and speak their minds about the project.

MZ: But we do and what we found very, very successful, separate and apart from that formal process, about a month in advance of the actual meeting and the requirement to send out notices, we send an informal letter to all the neighbors, introducing ourselves, telling them the plan for the project. We usually send them color copies of a site plan proposed for the project. By that time, we have that worked out. And we also send them pictures of elevations and we invite them to an informal coffee meeting. We usually rent space in the local library, or a local recreational center near the neighborhood. And we bring our staff as well as our architect and engineer, we bring a professional. We have learned that we always engage in traffic projections and traffic studies and we do really nice blow-ups and charts of the proposal. We give a little background about ourselves, make a little five-minute presentation and then just do an open

questions and answers or walk people around to the different charts that we put up on a resource.

MZ: We have found that to be an extremely useful tool, it's a way to get feedback from the community to make sure they know we value their input, which we do. We sometimes make changes as a result of those meetings by neighbor feedback like moving buildings a little further back from the setback, adding trees and fencing where they want it and really explain what we're doing so it's not a mystery and then just get a formal notice one day. Most of the time, all those neighbors in those meetings are very positive about the project. Often some of those neighbors that are positive about the outreach will actually show up at the public hearing and talk positively about the project. And it also gives us the ability selfishly, to let the planning staff, the professional staff in that town, as well as that public at the public hearing, to let them know that we proactively reached out to the neighbors. And we invited them all to the meeting and share the feedback that we got from that meeting with them and let them know that we addressed many of the neighbors' concerns. It's a very highly effective tool for us that has worked very well in most communities.

WS: It sounds like it would be quite a bit of work right to make that happen. However, it seems like you're being very proactive, and I would imagine would help alleviate a lot of work on the back end right? I mean, you're just kind of heading up those questions and meeting these people in person. I love that, introducing yourself and having the pictures and the plans and a professional or engineer there to answer their specific questions. Obviously, people get upset when their property's messed up right or something happens around their property. So I love how you're just spearheading that.

MZ: Yeah. I also find frankly that sometimes people just want to be heard and hear their opinions on things and be listened to. And I'd much rather have that done in advance in an independent informal setting than have them cold show up at a public hearing and be on the record, and then have to respond kind of on our feet to things that get raised at a public hearing that we get blindsided by. I'd rather know what the issues are in advance and address them before the public hearing.

WS: That I would imagine buys you a lot of time as well than having to do that after the fact and then probably having to have another hearing.

MZ: Yes, sometimes if a hearing gets contentious, and there are a lot of issues that come up that the developer can't answer or can't address, you are exactly right, the planning commission will continue it to another hearing, which usually only meets once a month. So, it has a domino effect that affects the entire project.

WS: What would be some questions potentially, that somebody should be prepared for that, you know, maybe you've heard about during those meetings? That, you know, that helps you to know, hey, during the actual hearing, we need to address these things, or maybe something that wouldn't typically think of?

MZ: So what neighbors rightfully are concerned about is, especially when you're dealing with either a raw piece of land or a piece of land that had a one-storey building on it, obstructing their view; if their backup to the property, what their view is gonna look like. So a good shot of the elevations of what they'll look like and what the mature trees will look like that you'll be planting as a buffer is always something that comes up. The other thing that I alluded to that I can't remember it not coming up in any process, including even with planning staff, is they want to know what's going to happen to traffic. What's the impact on traffic in the neighborhood. Is it gonna be, people racing through this street?

MZ: Is that stop sign on the corner that they already got to wait too long for, gonna be a ridiculously long way? So through the engineering firms, we use professional traffic engineers that do projections based on actually going out there with cameras and counting cars, and then doing projections based on manuals for the number of units that are being built and projecting the number of cars. And they actually show the effect of traffic where it is really bad and has a negative effect. We have met this to minimize that we do more than one entrance and exit from the property. So we move some of the traffic away from just one point, we had

left turn lanes and right turn lanes to get people queued up differently than just all in line and deal with it.

MZ: Neighbors also want to know about parking because they want the introduction of a multifamily community in their neighborhood, especially if it's single-family homes or townhomes to be under park where they're worried about new people moving into the community and have the residents parking in front of their house and clogging up their streets. So, we show how we have adequate parking and do studies on that. The other common question, particularly when you're dealing with a raw piece of land, is neighbors want to make sure that they're not gonna get flooded. In building your community is not going to dump all kinds of water in their backyard. And rarely does, I mean, the city has codes as engineers to do it, the city themselves have an internal engineer review it, but we just kind of explained that. And that becomes a non-issue.

MZ: The other item that some communities are concerned about, particularly those that have high-performing quality school districts, is the impact of bringing additional residents with school children into the neighborhood and the impact on the schools. And as a result, most communities have a new development and impact fee and upfront payment that's part of our cost of the project, where our projection is made and how many new students we'll generate, and we actually have to pay the school district an impact fee. We have yet another independent firm that we use that does school impact studies. And in advance, we prepare those and we show how many students we generate. But we also prepare a report against the projected number of students that we generate on how much additional real estate taxes. This improvement we're going to make is going to generate on a yearly basis that's going to the school district that they now don't have and show that there's really a minimal fiscal impact on the schools. So, we kind of over the years know the questions that come up and we like to have the tools to answer those questions when they do.

WS: No doubt about it. What you just gave us is a great place to start for somebody learning this process. You're going to be much better prepared just by hearing the last 10 minutes of what you just said. I mean, that's so helpful in knowing, like you said, I mean, you all are being

proactive and having that get-together with the community so you're ready with their questions when it's time for that hearing. So I love that, you know, thinking ahead, like that, and being proactive, and even coming to that meeting, like you gave many things that's going to help them be prepared with the printouts and the charts. And, you know, having an engineer there and things that, hey, you know, the community can even take back with them, and you're addressing many things that you already know are concerns of theirs; even going, you said, going around the community as well and introducing yourself and giving them things in person. Is that right?

MZ: Yes, we do that. And we actually ask them to come out in a public hearing anyway, so we actually mail floor plans, site plans, elevations, we just let them have it; let them see it. One of the reasons we do this is we're very proud of the quality of what we build. We know it's gonna be a quality product. Neighbors don't know us, they don't know that's going to be the case. And when they hear apartments, they think the worst. So, we want to alleviate those concerns and let them know that they're really going to see a nice addition to their community.

WS: Now, and this has been a great segment as well, Michael. I think you're talking about the community really feeling that it's going to be a nice addition, right? And some of that is going to be those amenities. And depending on what those look like, which we're going to get into in the next segment and why it's so important to have maybe specific amenities and why and where and how, we're going to jump in. Michael, thank you again for just another amazing segment. We're going to talk again tomorrow.

MZ: Great! Pleasure.

[END OF INTERVIEW]

[OUTRO]

Whitney Sewell: Thank you for being with us again today, I hope that you have learned a lot from the show. Don't forget to like and subscribe. I hope you're telling your friends about the

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