



The commercial classroom: Site development

October 12, 2007 - Long Island

How much is my land worth? To answer this question requires an analysis of what is the "highest and best" use of the property - what use will produce the most revenue. Then the question becomes, will this use be permitted by the local municipality and if so, is this project economically feasible?

Marketing land requires definition; "two acres of land for sale" is not enough information to make a buying decision. The type of building the zoning will permit must be determined. "Two acres of commercial land that a 25,000 s/f office building may be constructed on" shows potential and can now start to be evaluated economically. Given the asking price for the land, construction costs and income potential project feasibility can be evaluated.

Figuring out "how big" a building may be constructed on a site requires a detailed examination of the local zoning code. What is the "FAR" - Floor Area Ratio (a/k/a Land Coverage Ratio)? This is the bulk area of building that may be built in proportion to the overall land mass. For example if the property size was 40,000 s/f and the FAR was 25%, the total building size could not exceed 10,000 s/f ($40,000 \times .25 = 10,000$). The principal here is to have sufficient land mass to containing all the parked cars of the tenants on the site. In some city areas the FAR may be expressed as a multiple, i.e. a lot of 10,000 s/f is located in an area with a FAR of 6.0, therefore a 6-story, 60,000 s/f building may be erected. ($10,000 \times 6.0 = 60,000$). Such areas are usually serviced by mass transit with no need for parking. Other factors that may affect "how big" are permitted height, setbacks, and parking requirements.

Often the most difficult problem is satisfying the parking requirements, which vary with different municipalities. Parking may be based upon a ratio 3:1 would mean 3 spaces are required for every 1,000 s/f of buildings; 5:1 meaning 5 spaces per 1,000 s/f. Parking may also be expressed as "per 200 s/f" or "per 250 s/f" meaning one car for every 200 or 250 s/f of building. Next the local zoning code will define the size of a parking space and how much "back up" area is needed per space. After the number of required spaces is determined, the topography of the site, road access and traffic safety must be considered.

Once a potential building type, size and parking layout are determined that complies with all the zoning requirements, the financial feasibility of the project must be evaluated. What will all the expenses be, site purchase, land clearing, grading, construction of the building, site work, parking lot, utility connections, cost of the construction loan, permanent loan, cost of time, cost to rent (brokers commissions) etc. What will the market bear in rent - how much can be charged?. What is competitive? What is the potential rental income, the Net Operating Income and how long will it take to achieve?

Site development requires considerable knowledge of local zoning, construction costs and market conditions.

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