



BAGI 

BUILDERS ASSOCIATION of GREATER INDIANAPOLIS

Building Together:

Your community
is our business.



Setting a community up for success.

As the population evolves, so must housing. People are trading in their massive houses on large lots for smaller homes, on smaller lots in more walkable locations. While some cities and towns prefer to have only large, expensive homes, there are implications to these communities for excluding first-time buyers. It is up to community officials to establish smart rules for housing development that meet the changing demographics of today's home buyers, while still benefiting the community.

This booklet is separated into three key areas:

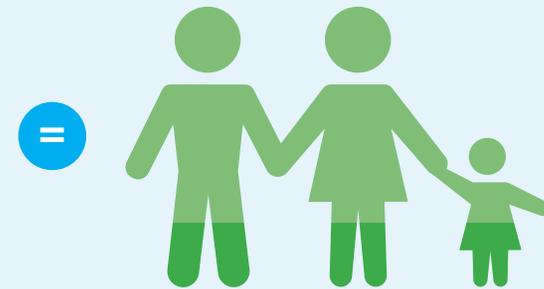
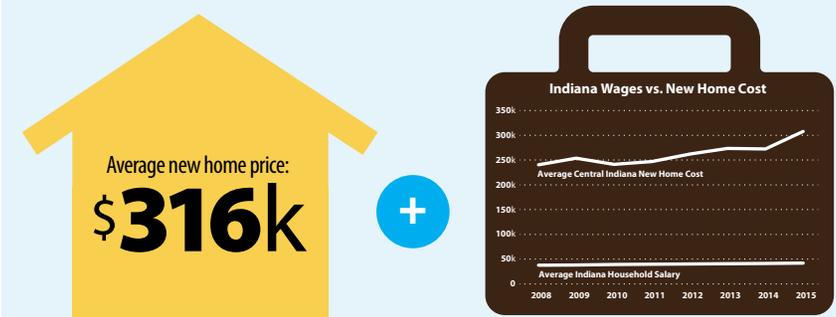
- **Demographics**
- **Community/Funding Revenues**
- **Infrastructure**

Each section identifies some misconceptions in home building and development, and explains why adapting development guidelines based on the changing market demographics is so important for a community's viability.

Demographics

Demographics: Local income matters.

With an average new home price above \$316,000 in 2016, most local incomes cannot support a new home in this price range. With 43% of Central Indiana's households earning \$50,000, an affordable home would be \$150,000.



76% of the population are priced out of the new home market.

Recommendation: Communities must consider local earnings when evaluating new housing proposals in order to maintain a balanced market.



Demographics: Millennials and empty-nesters aren't as different as they appear.

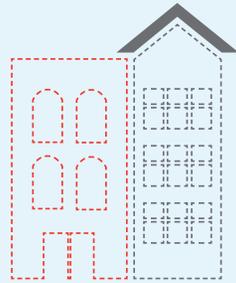
Generational shifts lead to shifts in product demand and availability. Millennial and empty-nester households are the two fastest-growing segments of the population. According to consumer preference surveys, both groups prefer to have housing options that feature smaller homes, require less maintenance, and are located in walkable neighborhoods.



Single-person households are **expected to grow 44%** by 2030 (Census data).



Millennials are now the largest generation and are attracted to neighborhoods with higher density and smaller homes. (Source: Urban Land Institute)



Missing housing product that offers smaller homes on smaller lots with less maintenance and more walkability.

Community/Funding Revenues



Recommendation: Community planning processes must recognize the needs of the largest market segments and adapt the decades-old land use regulations to meet these needs.

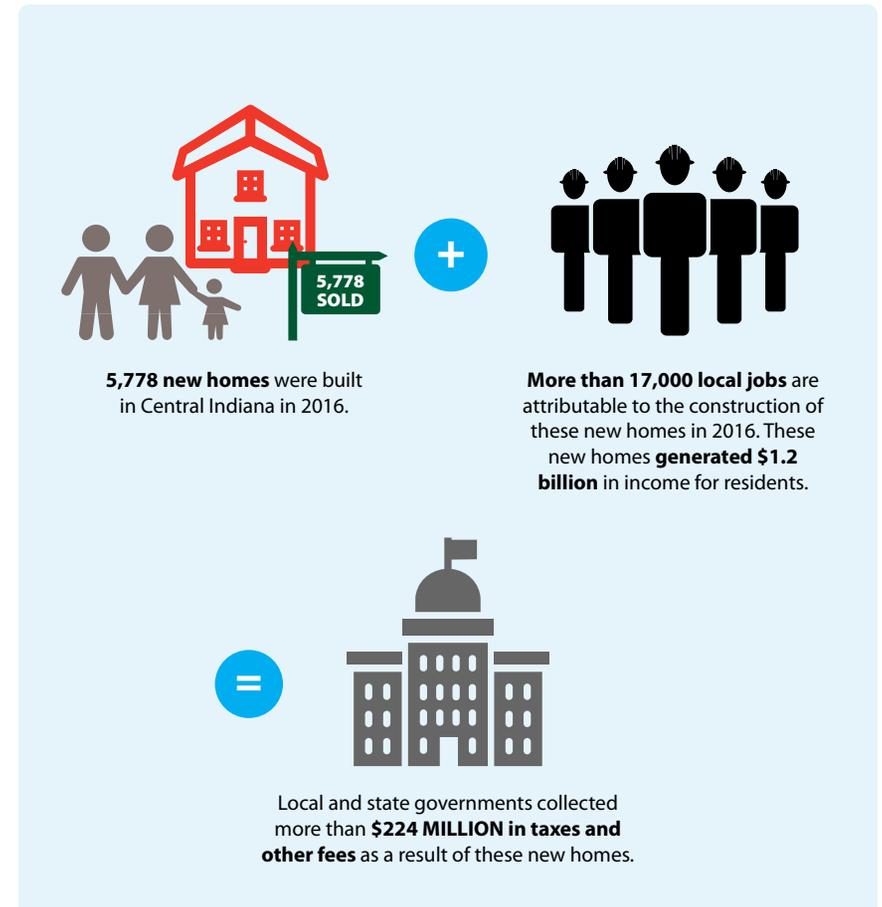
Community Funding/Revenues: Density provides opportunity.

With tax caps requiring municipalities to think differently about revenues, large-lot development is one of the least effective ways for a community to see a return on investment. Density also provides communities with the type of lifestyle that many home buyers seek.



Community Funding/Revenues: Housing is economic development.

Housing brings growth of all types: commercial, retail, and industrial — bringing with it new jobs and additional tax revenues for the community.



Recommendation: Communities should find ways to change the paradigm of large homes on large lots and find opportunities for more dense development, where appropriate.

Recommendation: New home construction is a key component of local economic development, and its economic impacts should not be limited purely to property tax revenue estimates.



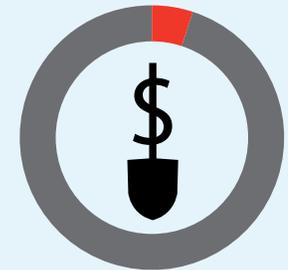
Infrastructure

Infrastructure: We all want the same thing.

Developing quality homes and communities is in everyone's best interest. Buyers want to be in communities that have quality amenities, and builders want to help provide them. Balanced regulation that does not hinder affordability is something we can all get behind.



Nearly 55% of the final developed lot cost is attributable to regulation, such as cost of approval process, value of land required for open space, changes in development standards, and cost due to delays.



Construction fees account for an average of 5% of the final cost of a new home. These regulations come in the form of park and road impact fees, permit and inspection fees, architectural standards, minimum house and lot size requirements, delays caused by red tape, value of land left unbuilt, etc.



Government-imposed regulations account for **24% of the final price of a new home built for sale, on average.***

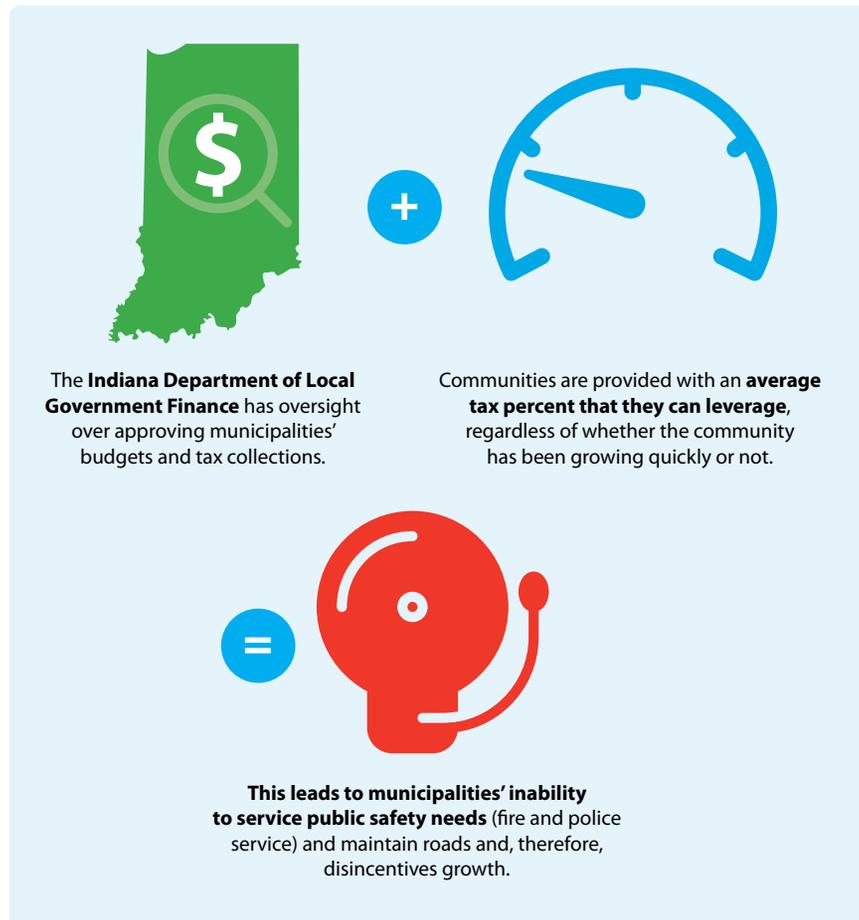
*Source: 2016 data from the National Association of Home Builders (NAHB) estimate.

Recommendation: While BAGI supports regulatory measures to ensure safety and support its share of municipal costs associated with growth (e.g., impact fees), communities must identify ways to reduce arbitrary regulations that hinder affordability.



Infrastructure: We're all in this together.

While tax oversight helps provide predictability for residents, fast-growing communities are at a disadvantage. BAGI understands the pressures that fast-growing communities often face and wants to help.



Recommendation: BAGI will support legislative efforts of fast-growing communities that allow them to acquire additional funding to support its community and infrastructure needs.





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