Private Property

Government Can Cut Development Costs

Wallace Kaufman

Apply imagination and common sense to development codes and planning regulations and the land development costs for homesites, townhouses and apartments will fall 20% or 30%.

This can mean over $1,000 per home. This saving could also be put into increased lot size to compensate for the 25% average shrinkage over the past four years. In either case, government, with a stroke of the pen, can give consumers more for their money.

The most costly regulations are those that govern curbs, gutters, wide streets, utility trenching, pavement thickness, street dedication and sewer line layout. These regulations were developed in response to fast-buck developers whose most lasting legacy turns out to be pot-holed roads, erosion, overflowing toilets, increased flooding and hazardous streets.

The government's answer to poor business practices always seems to be to call in academically trained theorists instead of conscientious businessmen. The planners who came of age in the sixties and early seventies and now control local and state rule making are, as a whole, too unworldly, too narrowly academic.

China certainly knows what it's doing by requiring bureaucrats to work in the fields and the streets a little every year.

The rules and regulations for development reflect the spendthrift, affluent middle-class culture from which planners come. The government, like a doting parent, will guarantee every measure of safety and luxury even if it is not needed. Thus residential cul de sacs must be designed to hold a daily quota of semi-trailers traveling at 50 miles per hour. Connected condominiums and townhouses must each have separate soil pipes running to the street sewer.

Most low-traffic residential areas do not need 30-foot-wide streets. Curbs and gutters can often be replaced by grass drainage swales (which also ease flooding by adding to ground absorption area). Groups of houses can be served by single-sewer laterals. Private road systems are feasible if home owners' associations are legally organized with power to assess their members.

Savings on reducing street widths from 30 to 24 feet can save up to $182 per lot according to the Urban Land Institute. Comparable savings can be made in the costs of sewer and water pipe, curbing, surveying and paving.

A cost that certainly can be reduced is the expense of reviews by government agencies. The review process can be streamlined and made more adaptable to the variety of development proposals.

There is no reason why a 600-acre subdivision and a six-acre subdivision must go through the same lengthy process, produce the same detailed engineering studies and so on.

A rethinking of development codes would not only cut home buying costs but would encourage more variety in housing projects and often a cozier neighborhood. The process is not simply a downgrading or easing of standards, but a reduction in overkill.

We now have the kind of situation which many environmentalists (planners frequently among them) point out when they say it is silly to use a two-ton car to carry a 150-pound person to the grocery store and back.

Our problem is that government planning has attempted to safeguard the public purse by emptying the private purse. Since the public purse is child of the private purse, this is bad policy.

Any unemployment worker who has processed construction people can tell you that. Tax collectors can tell you that switching $1,000 of development expense from road paving or gutters to the home itself adds exactly that much taxable value to the tax books.

State Has Sound Municipal Bonds

[Editor's note: The following analysis of North Carolina municipal bonds was written by Interstate Securities Corp. of Charlotte]

CHARLOTTE—North Carolina's reputation of "doing something right" in the municipals area has come about because the state has created sound financing and reporting.

Why? Because North Carolina as a state and as a group of municipalities—cities and counties—learned a hard lesson during the period of the Great Depression.

Because of unusual growth in the middle and late Twenties, many North Carolina municipalities incurred substantial debts. Unfortunately, the debt service load in many cases was at a maximum when the Depression of the early Thirties arrived. Default was experienced by 62 of the 100 counties and 152 municipalities in the state.

Again, why? Each city, county and other political sub-division was responsible for handling its own debt needs. They issued a rather haphazard schedule of bonds with little thought to maturities. They made insufficient provision for the payment of principal—particularly in regard to the maintenance of sinking funds for the retirement of term bonds.

Then, of course, they were caught in a sharp decline of property values brought about by the Depression. In a number of cases, funds for debt payment were available but were tied up in local banks which failed, or they were invested in land and other assets which were suddenly unmarketable.

How did North Carolina arrive at the sound financial condition prevailing today from the morass into which so many of its municipalities had fallen? During the early Thirties, the legislature passed three acts: The Local Government Act of 1931, the Municipal Finance Act and the County Finance Act. (These have since been consolidated into the Local Government Act which legislates the Local Government Commission.)

The North Carolina Securities Advisory Committee was created and the North Carolina Municipal Council was formed. These have provided the strong foundation upon which North Carolina's financial soundness has been built for over 40 years. This soundness has established a wide marketability enabling North Carolina municipalities to borrow at most favorable interest rates.

The Local Government Commission has the responsibility of approving and selling local governmental units' bonds or other evidences of indebtedness. Working with the representatives of these local units and other agencies of the state and federal governments, the commission examines the necessity and desirability of the bonds or notes, the adequacy of amount and the ability to make repayment.

The act carefully spells out steps which must be taken before issuance of debt—such as limitations on amounts and purpose and restrictions on the actual composition of the new obligation to be sold.

In other words, under the Local Government Act, North Carolina governmental units have been compelled to submit all important data to interested parties—FULL DISCLOSURE—for all these years.

There is little doubt that the deficiencies existing in the early 1930s have since been corrected largely through the supervisory work of the Local Government Commission.

The North Carolina Securities Advisory Committee was organized unofficially during the early Thirties by a group of businessmen who saw the need to provide a service classifying various municipalities as to their eligibility for bank investment.

Three different classifications were established: Group 1 includes the larger municipalities with the widest and best marketability; group 2 is the medium size with good marketability; and group 3 includes a combination of various sizes but mostly of local marketability.

According to Interstate Securities vice president Logan Pratt, chairman of this committee, each municipality is weighed carefully—its past history as well as its current condition and an effort is made to evaluate its future growth and financial needs and the marketability of its bonds.

"In recent years, the committee has made only a few changes annually," says Pratt. "We feel this is proper, as our recommendations have been widely accepted by the investing public. As much as we like to upgrade ratings, we feel it should be done on a sound basis.

"It would be unfair to have a rating move up one year and then down the next, or a new name added this year and taken off next year. This would defeat the purpose for which the committee was created."

Being self-instituted, the Committee is composed of five North Carolina investment dealers active in marketing municipal bonds, and six bankers located geographically throughout the state, with the state banking commissioners as ex-officio members.

The members do not represent any investment firm, bank or association. The ratings represent the actions of the committee as individuals, based upon their years of experience. Members of the committee serve voluntarily, without compensation.

The North Carolina Municipal Council is composed of dues-paying members and was incorporated in September 1932. The council visits the counties and cities and reports weekly to council members.

During the early Thirties, the function of the council was primarily to report on defaulting units and to endeavor to eliminate default. As conditions improved and the units began to market new issues, the council changed from trouble-shooting to placing the emphasis on improving reports to better reflect the current financial condition of all units.

Pratt, who is also chairman of the North

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