

THE HOUSING DEVELOPMENT PROCESS - FROM CONCEPT TO COMPLETION- DEVELOPER'S PERSPECTIVE.

The current economic climate in which we operate, calls for greater levels of efficiencies among developers, stakeholders and facilitators if we are to continue to provide adequate housing solutions to meet the needs of our people. Developers who seek to develop lands and build houses for the market, must now ensure that all levels of their operations are managed in the most efficient manner if they are to continue to remain successful.

There are certain key procedures that must be observed if one is to have a successful development. Critical among these are:-

1. PURCHASING LAND AND GETTING THE NECESSARY SUBDIVISION AND BUILDING APPROVALS
2. PREPARING A PROPER BUSINESS PLAN FOR THE DEVELOPMENT AND IMPLEMENTATION OF THE PROJECT
3. MANAGEMENT OF THE PROJECT

PURCHASING LAND AND GETTING THE NECESSARY SUBDIVISION AND BUILDING APPROVALS:

- Land Selection:

In selecting land for housing development, one must ensure that the area is not prone to flooding or any man made or natural disaster zones.

Land for housing development must be selected in areas where there is a

good demand for the type of housing to be built, as potential home owners are likely to look for homes that are within reasonable distance from their work place, and at the same time, near enough to the commercial centers, where they can have easy access to shopping areas and to other services such as schools, health facilities churches and so forth.

- **Selection of professionals to prepare subdivision proposal:**

Once you have selected a property on which you want to build, you must now engage the services of professionals such as, a Commissioned Land Surveyor who will make sure that the land is properly identified and that the boundaries are clearly defined, and who along with a Planner will prepare a proposed subdivision plan; an Engineer who will work along with the Surveyor to design your drainage system, sewerage and water main.

Depending on your location and the size of your development, you may be required to employ an Environmental Specialist to prepare an Environment Impact Assessment (EIA) to determine whether there are likely to be any negative factors that will impact the environment and to recommend certain actions to mitigate those negative factors. There is also the need to employ the service of an Architect to develop Designs and Building Plans for the type of units you intend to build.

Once the proposal is approved, it will be necessary to engage the service of an Electrical Engineer to design the distribution for utility pole lines and to seek the approval of the Jamaica Public Service Company.

**PREPARING A PROPER BUSINESS PLAN FOR THE DEVELOPMENT AND
IMPLEMENTATION OF THE PROJECT:**

In order to have a successful development, it is necessary to have a proper business plan. This is going to be required whenever you need to seek financing for the project but even more importantly; it must be used as a guide in the project implementation process.

This plan must look at the following:-

- **The cadre of personnel available to see to the implementation of the development-** engineers, surveyor, technicians, carpenters, masons, plumbers etc. and the level of competence which is required.
- **The market study to determine the demand for the type of houses to be built,** and the strategies that will be used to market these units.
- **The project financing-** what portion of the project is going to be financed from Developer's Equity, what portion from Loans, and what portion from Internally Generated Funds (i.e. deposits from sale of units)
- **The phasing of the Project** - How the project is going to be phased based the financial resources that are available to the project and the market demand - It does not make good sense to borrow money to put up units when the market is not willing to take them off.
- **Your Cash Flow-** This projection must show a realistic Cash flow- This will determine how much cash will be available to ensure that the project flows smoothly and be completed on a timely basis, as

inadequate funding can cause serious setback for project implementation, and could cause the project to fail.

Your Business Plan should not be just a document that you take to your Bankers to get funding. It must be a practical document that will be used as a guide to pilot the development.

MANAGEMENT OF THE PROJECT

Once all the relevant approvals and permits are received, and the necessary funding to finance the project is in place, we must now turn our attention to the **implementation of the project**.

This is the most critical aspect of the development process, because this is where all the resources available to the project must be allocated in a most efficient manner to ensure success.

As such there must be a clear organizational structure, where different levels of responsibilities are assigned, and there must be close coordination between different operational units to ensure a smooth flow of activities.

In our company, we engage the service of a Project Manager who is responsible for the day to day onsite operation. There is an operational unit which is divided into different teams, with each team having its own supervisor:-

- **Road Infrastructure team** is responsible for road, sewerage and drainage construction.
- **Building construction team** is responsible for construction of the houses

- **There is a technical service team** with responsibility for the maintenance of machinery and equipment and to minimize down time.
- **There is also a procurement and Inventory control team** which must ensure that materials for project implementation are available on a timely basis.

Each team has its own task, and monthly targets are set to achieve certain ends.

Meetings are held weekly to assess progress of work and to take remedial actions where necessary.

The Administration and Accounting Department is the unit that is responsible for the management of all the financial resources that are available for the project. As such, this department must manage the cash flow to ensure that funds are available to make payments on a timely basis. Proper planning must be adhered to, to make sure that high cost loan funds are drawn down only when these funds are needed, and also to make sure that once sales are completed on units, loan repayments are made on a timely basis so as to reduce high interest charges on loan funds.

The Administration Department liaises with all participating agencies to ensure that conditions set by the agencies are met on a timely basis. The Department must also, from time to time liaise with our attorneys who have the carriage of sale for the properties, and to ensure that Sales Agreements are stamped within the prescribed time frame; that purchasers present their letter of Commitment and Undertakings within the prescribed time agreed on; and also that Instruments of Transfer are

prepared and cross-stamped on time. Administration must also follow up on the progress of work on site, and liaise with the surveyor and the Parish Council to get Certificate of Compliance as soon as infrastructural works are completed, to facilitate the application for Certificates of Titles.

CHALLENGES FACED BY DEVELOPERS;

Amidst of all these steps that must be taken to have a smooth process, Developers are faced with huge challenges within the industry which are having severe impact on project financing and completion. Some of these Challenges are as follows:

- **Long delays with the approval process** – Although the Government has set an ideal of 90 days to complete the process, it is still taking over 365 days in some instance to get an approval through the system, resulting in increased cost to Developers, who must pay the increased cost for material and labor that come about as a result of inflation. It also creates undue hardships for workers who have to be laid off until new projects come on stream. **There needs to be closer collaboration between NEPA and the related Agencies. Also, at the level of the Parish Council, there needs to be greater efficiency in the documentation and the processing of sub-division. Developers must**

also work closely with NEPA to ensure that all the agencies' requirements are satisfied. The government bodies must be held accountable for non-compliance to these set time frame which they have instituted in their agencies, and failure on their part should result in some compensation to the Developers.

It has now become a new function of the Developer to chase all Agencies in order to get documentation process which should never be the case.

- **High interest rate-** The cost of money continues to increase, resulting in higher financial costs to Developers, and at the same time, we are now operating in a buyers market, so it is difficult to pass on these costs to purchasers. **It is highly recommended that, where it is possible, Developers should put in as much equity as is available, because using your own resources is cheaper than using expensive borrowed funds. Funds borrowed from lenders should be repaid as soon as possible, as this will help to reduce the costs attached to these loans. Developers should also be mindful of the negative effects of drawing down on loan funds before the actual cash is needed to pay for**

goods and services, because daily interest rates do add up and become unnecessary additional cost to the project.

- **Constant depreciation of the Jamaican Dollars, resulting in the increase cost of imported building materials. Developers must now do their own comparative pricing among suppliers, and select the best prices that are available. Where it is practical to do so, Developers could import their own building materials.**
- **Liquidity Problems:- Within the last year, there has been an acute liquidity problem in the Country, resulting in lower demand for houses, as would-be purchasers are finding it extremely difficult to satisfy the deposit requirements. Developers, therefore now have to spend more money on marketing to attract new clientele, while at the same time reducing their deposit taking requirement to make the sale more attainable to prospective purchasers. Secondly, Developers have to be prudent in the way they go about building and stocking up houses on the market. They must try and pre-sell units before construction, so as to avoid tying up funds for too long a period of time. Developers must also consider doing projects in phases in**

order to prevent high levels of unsold units in a development. This is a simple but effective strategy, as purchasers like to know that they have a neighbor and won't have empty houses surrounding them.

Developers need to invest more in technology, always retooling.

Research and development should now take a greater place in the strategy implementation for the company.

Alliances with strong market leaders is a must; Purchasers like to know that the company that they are dealing with has a good track record and are associated with reputable companies.

Developers must continue to find new and creative methods to sell, expanding their reach and product offerings globally and not restricting sales to the local market. This can be done by advertising in overseas news paper as well as internet marketing.

The industry will continue to be faced with great challenges given the current economic environment, so as Developers, we will need to adjust and adapt to the market, while responding to the needs of our consumers. We need to build smarter and more efficiently while at the same time not compromising our standards.

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