

San Bernardino Sun

Housing plans scaling down

Matt Wrye, Staff Writer
05/30/2008

Long gone are the days of Inland Empire home developers pondering whether to build.

Now the debt-ridden developers are facing a new challenge: how to replace blueprints for single-family homes with plans for condominiums, apartments, smaller homes and smaller lots.

In a crumbling housing market, they're hoping your average Joe can finally afford the American dream.

And they're spending thousands of dollars to make sure it happens.

"Tens of thousands, easily. And for big projects, hundreds of thousands," said Barry Gross, president of Developers Research, an Irvine-based company hired by developers for financial evaluations.

Local governments approved land entitlements for single-family lot housing tracts during the housing boom.

But the boom went bust, and now developers want to change those entitlements so they can fit more homes on less land.

It gets pricey.

"There are engineering and architectural costs, planning costs, and all sorts of jurisdictional costs," said Kevin Wolf, president of Riverside-based Germania Corp., a development consulting firm working with builders across the two-county area.

Builders are already licking their gaping wounds inflicted by a hemorrhaging real-estate market.

Many of them can't sell inventory, and their creditors are pounding on the door.

In San Bernardino and Riverside counties, single-family home building permits issued during the first four months of this year have dropped 85 percent compared with the same period in 2004, according to Burbank-based Construction Industry Research Board.

But the number of multifamily permits handed out seems to be holding its own in San Bernardino County.

From January to April, 553 permits were issued, up from 366 during that period in 2007, but about the same amount as were issued in that period in 2006 and 2005.

Only time will tell how fast developers can rid themselves of excess property by building condos instead of five-bedroom, three-bathroom homes.

Compounding the issue is available financing. Banks like Rancho Cucamonga-based PFF Bancorp, Corona-based Vineyard National Bancorp and several others are hard-pressed for cash to stay afloat, let alone finance home builders who are struggling to pay off already- delinquent loans.

"A few years ago, you could borrow 85 or 90 percent (of what you needed) to build a project," Gross said. "Now, that's down to 70 percent. In certain cases we've heard of numbers in the 60 percent range, and a lot of those are based on guarantees from the builder."

Wolf said the stereotypical 4,000-square-foot home concept is getting reeled in, while two- and three-bedroom houses will be making a comeback. Three-quarters of home builders he knows of are looking to build smaller homes, and at least half of them are downsizing their empty lots.

Some cities aren't thrilled about that.

"They have a perception it'll bring in 'those kind of people,'" Wolf added. "I think we'll see smaller houses getting built for a while."

matthew.wrye@ [inlandnewspapers.com](mailto:matthew.wrye@inlandnewspapers.com)