Acknowledgement

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A special thank you to PPL’s summer intern, Andrew White, who tabulated the text and the appendix and provided technical support for the flow charts.
How to use this manual:

This manual was designed by a Midwest development organization, with your use in mind. While there will be some regional differences, and the material was not designed for all markets, we hope that you will find the examples and information useful.

For the sake of simplicity, sections of the manual were divided by color. If you break out the colored pages you will have a guide to marketing, a guide to finance, a guide to project management, etc. If you are interested only in the examples and flow charts, you can print out the Appendix separately.
INDEX

POLICIES

1. Mission/Strategic Plan........................................................................................................7
   Project Selection Criteria
   Target Level of Development Activity
   Narrowing or Eliminating Production Activity

2. Governance Policies.......................................................................................................10
   Board Members
   Articles of Incorporation and Bylaw Provisions
   Entering into Contracts
   Approving Deals

   Feasibility Advances by the Consultant
   Predevelopment Advances from the Consultant
   Predevelopment Borrowing

4. Interdepartmental Review and Approval......................................................................16
   Plans and Specifications
   Operating Budgets
   Predevelopment and Development Budgets
INDEX (cont)

ORGANIZING THE PROJECT - PROCEDURES

Project FLOW Chart – Organizing and Managing the Project…………..19

I. Feasibility Analysis.................................................................22
   1. Market – Market Study
   2. Finance – Estimate Project Costs
   3. Physical Building – Site
   4. Stakeholder/Political – Support for Project
   5. Project Management – Project Team
   6. Board and Internal – Feasibility Within Organization

II. Project Assembly and Deal Making............................................34
   1. Market – Clients/Customers/Marketing Materials/Sales or Lease-up
   2. Finance – Applications
   3. Physical Building – Architect/General Contractor/Construction Bidding
   4. Stakeholder/Political – Regulatory
   5. Project Management – Consultants/Partnerships
   6. Board and Internal – Recognition/Approvals

III. Construction.................................................................................51
   1. Market – Marketing Office
   2. Finance – Draws
   3. Physical Building – Construction Schedule
   4. Stakeholder/Political – Events/Support
   5. Project Management – Consultants/Services
   6. Board and Internal – Response/Reports

IV. Property Management or Sale.......................................................62
   1. Market – Buyers/Renters
   2. Finance – Fees
   3. Physical Building – Completion
   4. Stakeholder/Political – Relationships
   5. Project Management – Turnover/Resolving Problems of Past Projects
   6. Board and Internal – Property Management
INDEX (cont)

1. Organization of Key Project Information..............................................................71
2. Terms and Definitions.............................................................................................72

Appendixes
POLICIES

1. Mission/Strategic Plan
   - Project Selection Criteria
   - Target Level of Development Activity
   - Narrowing or Eliminating Production Activity

   The mission of the organization (the CDC) establishes the focus of the organization and identifies a need or series of needs in the community to which the organization will respond. The Board of Directors, all of whom must believe in the mission, will be responsible for developing a Strategic Plan with the staff to set the course on how the mission will be accomplished over a specific period of time (3 year, 5 year etc). Out of this discourse and over time the Board will develop policies to guide the organization. The policies may answer:
   - Who are we going to serve?
   - Where or what geographic area?
   - How are we going to do it – by housing, business development, and/or service programs?

   In the not-for-profit development world, housing projects focus on helping people in need, by helping neighborhoods become sustainable by offering affordable and market rate units, and by creating wealth where it has not existed or been attainable through homeownership. The mission of an organization—which may include producing affordable housing as a long term objective—provides the context for the organization’s development activities.

Policy: Project Selection Criteria

Develop a policy around your selection criteria. Projects are selected based on mission, capacity, and political will. An organization must have the capability to deliver a project that is economically feasible and financially viable within a community setting where there is support from its stakeholders. The most basic questions to be asked are:

- does this project fit our mission and strategic plan?
- do we have an experienced team to manage this project?
- is there funding available for the development of this project and is the project designed for long term economic viability?
- is there support from the stakeholders: the organization’s Board of Directors, the neighborhood, the funding community, your clients, and representatives in city government?

When these four major criteria come together they form a core that supports a project. That support is summarized in the graph featured on the next page.
The Four Keys to a Project

- Financial Feasibility - Economically Viable
- Support from Stakeholders
- Experienced Team
- Mission/Strategic Plan
Policy: Target Level of Development Activity – do as much as you can do with your limited resources

Develop policies based on your capacity and your resources. Development activity depends on the availability of resources. The capacity of the organization will determine the size of projects that it will develop, and available sites will determine where development will occur, but the limiting agent for all production is the availability of capital. Market rate apartments or homeownership units are not affordable to low income people; the development of these housing units requires subsidies and there is serious competition for the limited funding from government subsidized programs. Multiple financial products and partners will need to be assembled for larger projects to succeed.

The key components for targeting activity are:

- Availability of capital
- Subsidy for rental or homeownership
- Capacity of the organization
- Political and neighborhood will
- Site availability
- Market forces

Develop policies regarding where you will respond to needs. In addition to the capital you must raise and your organization’s capacity, the other key considerations for development will be a combination of determining where to locate a needed housing program and a neighborhood’s or community’s will to support or allow development of the program nearby. Assessing the market forces at work in a specific location will be necessary in making a final decision on where you will locate your project. In the end, the location and type of needed housing in your community and the neighborhood support will all be factors in determining your housing policy.

Policy: Narrowing or Eliminating Production Activity – determine in what areas you are not going to be involved

Develop policies that will limit what you will produce. Just as important as determining your target selection criteria and the level of your development activity, is having the Board decide the areas in which you will not get involved. The mission may fit, the resources may be there, the neighborhood would support it, but these production activities you will not do.

For example, you may decide not to do commercial development, or not to become involved in senior housing development, or not to provide property management services. You may prefer to do large multifamily projects so you determine you will not build projects with less than 20 units, or you may focus on rehabilitation of buildings and decide not to build new construction. These preferences may be based on competition, location, capacity, availability, market or other reasons. Whatever the reasons, they are part of your development policy.
POLICIES (cont)

2. Governance Policies

Board Members
Articles of Incorporation and Bylaw Provisions
Entering into Contracts
Approving Deals

The governance policies of the organization (the CDC) may legally limit or set boundaries where the organization may work and may define their client/customer base. These policies may establish who has authority to bind the organization, and how decisions are carried out. The organization should monitor its own actions to be sure they conform to the governance documents in order not to put its 501 c 3 status in jeopardy.

Policy: Board Members

Board members should be people who support the organization and its mission. It is critical to have members who represent diversity and members who work in different business sectors who are willing to ask questions, provide assistance and knowledge in all aspects of carrying out the mission: real estate agents, attorneys, human service providers, community residents, accountants and business managers. The Board should establish a policy on the recruitment of new board members, always seeking out those who are willing to share their skills and dedication.

Articles of Incorporation and Bylaw Provisions

The Articles of Incorporation limit the organization’s work within its mission (which established its 501 c 3 status), and the Bylaws provide authority for those responsible for oversight of the organization’s work. From time to time organizations that have served a specific community for many years find that the boundaries have become restrictive and the organization opts to amend their documents in order to work outside of their designated area. Strategic planning will guide the organization on whether or not the documents should be amended to conform to an organization’s expanding mission. Documents can only be amended by a vote of the membership at a meeting designated for that purpose, or by the Board if given that authority.

SAMPLE ARTICLES OF INCORPORATION AND BYLAWS (Appendix A)
**Policy: Entering Into Contracts**

The organization should annually adopt, by resolution, provisions on who may sign documents and bind the organization contractually, if the Bylaws do not specify an individual.

The Board of Directors of the organization should approve by resolution, contracts and other legal instruments and especially loans that guarantee performance by the organization and where the organization provides security in the signing of the contract or other legal document. The organization may set a policy that contracts over a specific dollar amount must be approved.

**SAMPLE RESOLUTION FOR GENERAL AND PROJECT SPECIFIC AUTHORITY TO SIGN DOCUMENTS (Appendix B)**

**Approving Deals**

An organizational chart will provide structure on how deals are approved. The Board of Directors has final approval; however, a series of approvals may be given at various steps in the process, by various entities in the organization. Final approvals by the Board of Directors are done by resolution. See Approval Steps on the following page.
Approval Steps:

1\textsuperscript{st} round of approvals: Concept Resolution (the Board of Directors like the idea)

2\textsuperscript{nd} round of approvals: Financial (the Board closely review the financing and timing of the deal)

3\textsuperscript{rd} round of approvals: Final Approval Resolution (the Board approve the contracts that close the deal)

By Entities in Organization

- Board of Directors
- Housing and Development Committee of the Board
- Development Project Manager with the Development Team
POLICIES (cont)

3. Working Capital, Cash Flow Management, and Fees

Feasibility Advances by your organization
Predevelopment Advances from your organization
Predevelopment Borrowing

The complexity of a project will drive the need for working capital during the life of a project. Cash flow management is the key to a successful project – insuring that funding comes into the project as planned so that disbursements can be made in a timely manner to contractors and suppliers. The organization’s policies on using their own capital versus utilizing “funding capital” from outside sources should be discussed prior to the development of any project, and policies should be formulated to guide development practices.

SAMPLE CASH FLOW SCHEDULE (Appendix C)

Policy: Fees

Develop a policy for setting fees. The fee structure should be adapted to the circumstances and adjusted to enable the organization to remain viable. Risk is to be considered – make sure the developer fee you will receive is sufficient in terms of the risk involved – the larger the project, the more complex, the longer the time to develop, the greater the risk, and consequently, the greater the fee. Because development projects fees are paid at the end of the project you must figure out how to pay all organizational operating expenses until a project is completed -- which may be months, and sometimes years before those fees are available to support the organization.

Fee structures are going to fluctuate according to where you do development work as they will be influenced by the real estate market in your region and by your local government and what they will approve. For example, a single family home may qualify for a development fee somewhere between 7% to 10% of the total project cost (TPC); a multifamily project fee may be based on a per unit cost or on a percentage, and if that fee is too low you may decide that the project is not worth the trouble for your time and effort. In very specific instances your organization may decide to take a smaller fee to insure that a project gets done. In this case your satisfaction in doing “good” -- and the goodwill your project elicits -- takes the place of some of your fee.

Another way to determine your fee may depend on what your competition is charging. If a fee rate of 8% is standard, it might be helpful to consider a fee of 6% to make your overall project “stand out” – and be more competitive in the application process for scare government funds. Make sure that the lower fee rate still supports your work efforts.

Finally, remember that your fee is the last payout of the project and any cost overruns not supported by contingency fund are going to come out of your fee.
**Policy: Feasibility Advances by your Organization**

*Develop a policy that will support using staff time to research the feasibility of new projects.* Such a policy may be unwritten but understood by all. When you or your organization are asked to look at a project to decide if you want to become involved in the development of the project, or if the project is realistic, you must consider several things:

- Is this an opportunity that would benefit your organization?
- Is this a stakeholder, customer, or previous contact you should respond to?
- Is there a staff person who has time to do research and how long will it take?
- What do you want to know from the research?

Looking into the feasibility of a proposed concept or idea must have some value to you because you will be donating valuable staff time to do some research. The person who supervises your staff should be able to make this decision and then report to the Executive Director if you have a strong lead on a new project.

**Policy: Predevelopment Advances from your Organization**

*Develop a policy to guide you in the advancement of your own operating dollars for the predevelopment of a project.* In most instances, non-profit development organizations will not have the ability to advance (spend) operating dollars for predevelopment expenses. Only funds which have been specifically raised for project development should be spent on predevelopment ventures, and, if you have the cash reserves to do this, you can loan your project these funds at a reasonable or below par rate after developing a loan policy that meets the approval of local government agencies. In no instance should funds dedicated to other organization programs be diverted to cover project development.

Your staff’s initial project research must show the concept to be considered reasonably feasible before dedicating additional staff time and laying out cash in the development of the project. Most organizations will support the use of staff time but will borrow funds for all other predevelopment activity; this is where organizations like LISC can help.

**Policy: Predevelopment Borrowing**

*Develop a policy around borrowing that includes, (1) who determines when a loan is necessary and (2) who has authority to commit the organization, and (3) addresses the necessity of adopting individual resolutions each time you approve the financing for a new project and (4) at what stage in the process that approval should occur.*

Many project expenses must be paid prior to final project approval being given. For example, your organization may hire a research firm to conduct a market study to determine the market potential of a proposed project. This study is a justifiable expense of the project and an appropriate means of determining if the project should move forward. Other examples of predevelopment expenses are environmental studies, architect drawings and construction specifications, real estate appraisals, or options on land (with the appropriate contingencies to get out of the deal if financing can not be found).
When you look at borrowing, consider the overall cash flow needs of your project for both the pre-development and construction phases -- this will help you understand where the gaps in your financing are and how much you need to borrow. Look at the terms and conditions of loans to make sure that your organization can accept them and your project can support them. Non-profit developers must weigh the risk of taking out loans during the predevelopment phase -- if the project fails to materialize the organization will be obligated to repay the debt.

In the Twin Cities there are several well known entities that provide predevelopment loans at low interest rates (some as low as 2%) for financially viable projects during the predevelopment stage. These loans are later repaid at the construction/finance closing and the cost of these loans is charged to the project.

- GMMHC (Greater Minneapolis Metropolitan Housing Corporation)
- LISC (Local Initiatives Support Corporation)
- Wells Fargo EQ2 Loans (Equity Equivalent Investment) – this lender offers loans at interest rates below par (reduced) for non-profit development organizations

**SAMPLE CHECK LIST FOR FINANCING (Appendix EE.1)**

**Policy: Construction loans**

> Develop a policy for construction loans similar to the predevelopment loan policy but include what types of security your organization can use to guarantee construction loans.

Many projects will require construction loans (sometimes called bridge loans) which begin when construction begins and continue until completion of the project when these loans are repaid or replaced by long term debt. The interest due during the carrying time and all associated closing fees will become part of project costs.

The organization should ask the following questions when borrowing:
- How much to borrow (limits)?
- What rate can the project support?
- From whom are they secure in borrowing?
- What guarantees is the Board of Directors willing to make?
- Who in the organization can contractually bind the organization?

Most non-profit developers will not have their own capital to lend to a project in order to build the project; moreover, they understand that it is better to “use other people’s money”. The prospective lender(s) will require full financial data on the organization and a pro forma for the project which will need to be updated as the lender reviews an application for financing. Once approved, the organization’s financial statements must account for any loans it incurs. It is important to time the interest payments on the construction loan, taking into account whether or not the interest is paid starting when the loan is closed, when the first draw occurs on the loan, or, when the loan is re-paid.

Note: It is also important to determine if the construction loan can be (or should be) rolled over and be replaced by long term debt from the construction lender.
POLICIES (cont)

4. Interdepartmental Review and Approval

Plans and Specifications
Operating Budgets
Predevelopment and Development Budgets

Organizations that have the opportunity to have internal review of project plans and specifications, operating budgets, predevelopment and development budgets may establish a formal or informal policy to take advantage of the input by internal departments within their organization. This review should be early in the process to take advantage of their expertise. Especially valuable is input from:

- Property Management and/or Asset Management
- Human Service Programs
- Chief Financial Officer and the Accounting Department

Call all departments together so that everyone hears the information at the same time, presented in the same way. Provide information on financing commitments, compliance or legal regulations, construction start and completion dates, and the plans and specifications, operating budgets, etc mentioned above. Keep all parties informed during the various stages of the project and hold meetings as necessary.

SAMPLE REVIEW QUESTIONS FOR INTERNAL DEPARTMENTS (Appendix D)

Plans and Specifications

Plans and specifications go through scrutiny by the Project Manager and the General Contractor with the Architect. Review by Property Managers or Maintenance Staff for operating feasibility and property management issues is advised. During the project assembly stage the plans and specifications are submitted to the City’s Planning/Zoning and Building Permit Departments. Final project approval is recommended by the Board’s Housing and Development Committee who send their request to the Board of Directors.

It is helpful to have a set of building material “design standards” established by your organization that conform to what quality you expect in each of your buildings, especially if you service your own buildings as the property management agency. Such conformity helps the Maintenance Department plan a uniform inventory – helping them anticipate what they will need to keep on hand for maintenance repairs.

SAMPLE DESIGN STANDARDS FOR RENTAL HOUSING (Appendix E)
**Operating Budgets**

Operating budgets are to be reviewed by the Development Committee of the Board, by the Property Management Division (if any) for their operating numbers, and the Accounting Department/Chief Finance Officer, for long term feasibility. Cooperation between the Property Management Division (PMD) and the Development Division is of particular importance because of PMD’s need to hire new staff and rent up a new facility. If human services are to be provided by the organization or a partner, their operating budgets should be reviewed by the developer and funding requests should be discussed. Timetables for the turnover of services must be determined and departments must be kept informed concerning progress. Final budget approvals are an integral part of project approvals which are recommended by the Housing and Development Committee and then sent to the Board of Directors.

**SAMPLE FORMAT: PRO FORMA OR OPERATING BUDGET FOR RENTAL HOUSING (Appendix F)**

**Predevelopment and Development Budgets**

Predevelopment and development budgets are reviewed at various stages during the development process. Predevelopment budgets are reviewed by the Project Manager, the Housing and the Development Committee of the Board, and the Board of Directors. The same is true of the final development budget. The organization’s Chief Financial Officer/Accounting Department and/or Asset Manager will be asked to review the budgets for advice and input concerning debt obligations. A typical project may begin this way:

A development Manager follows a promising lead and brings it to the attention of the Housing and Development Committee of the Board of Directors. The Development Committee asks for more information and the Manager continues to follow the lead, completes a feasibility study, talks with all internal departments, brings it back to the Committee with additional information and a predevelopment budget for approval. The Committee in turn takes it to the Board of Directors where a review of the opportunity is considered and where approval is given (or not given) to proceed within specific perimeters (concept approval). When the Board gives concept approval a development team comes together to work on various aspects of the project including financing, hiring the Architect and the General Contractor. The project is assembled and brought back to the Board for approval of all the financing packages and final project approval. This occurs just prior to closing on the financing at which time the contracts are signed and the project is fully funded and those funds are “banked with the Title Company”. Construction and marketing begin and the Project Manager monitors the project until it is completed and sold or leased at which time the final closing occurs and all remaining funds are disbursed.

**Review Summary:** All of these rounds of review and approval result in projects that may look quite different from the original concept. Having a policy that includes project review with all stakeholders will provide you with valuable insight as well as continued project support.

**SAMPLE PREDEVELOPMENT BUDGET (Appendix G)**
ORGANIZING THE PROJECT – PROCEDURES

Project Flow Chart

Every project has 6 components: Marketing, Finance, Physical Building, Stakeholders/Political, Project Management, and Internal/Board. These 6 components of the project can be organized chronologically into 4 stages: Feasibility, Project Assembly, Construction, and Sale or Turnover to Property Management.

For a PROJECT FLOW CHART with a general overview of these concepts, see the next page.

Note: Color has been used to identify each of the 6 components:

- Market
- Finance
- Physical Building
- Stakeholder/Political
- Project Management
- Board and Internal

The manual has been organized in chronological order (feasibility, project assembly etc); however, if you prefer to organize it by components, simply pull all the pages of corresponding color to organize a packet of marketing materials, or a packet of finance information etc.
## Project Flow Chart

<table>
<thead>
<tr>
<th>Stage</th>
<th>I. Feasibility Analysis</th>
<th>II. Project Assembly and Deal Making</th>
<th>III. Construction</th>
<th>IV. Property Management or Sale (Project Completion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Physical Building</td>
<td>Find a large enough site that is available OR determine what will fit on an existing site OR determine rehab scope.</td>
<td>Hire architect. Design building and bid out.</td>
<td>Monitor construction and schedule.</td>
<td>Complete and turn over building to buyer or property management.</td>
</tr>
<tr>
<td>4. Stakeholder/Political</td>
<td>Assess/meet with neighborhoods, elected officials, funders, and regulatory agencies</td>
<td>Build political support for the project. Get regulatory approvals.</td>
<td>Continue to maintain support with groundbreakings, tours, etc.</td>
<td>Maintain relationships by successful property management or sales</td>
</tr>
<tr>
<td>5. Project Management</td>
<td>Determine and bring together a project team.</td>
<td>1. Hire and manage consultants (engineers, legal, environmental) 2. Maintain and solidify partnerships.</td>
<td>1. Manage consultant activities (sales, etc.) 2. Get service and other programs set up.</td>
<td>Finalize turnover of project (beginning of service delivery, etc.)</td>
</tr>
<tr>
<td>6. Board and Internal</td>
<td>Test feasibility within CDC—Property Management, human services, etc. AND present project to Housing and Development Committee for concept approval.</td>
<td>Affirm viability within CDC—all affected departments AND H &amp; D Committee and Board. Financial and final approvals.</td>
<td>Coordinate with accounting, property management, and human services. Report to the Board.</td>
<td>Hand off to property management.</td>
</tr>
</tbody>
</table>

**Concept Approval**  
**Tipping Point (Apps. Successful)**  
**Close on Finances**  
**Finish Construction**
ORGANIZING THE PROJECT – PROCEDURES

I. Feasibility Analysis

1. Market – Market Study
2. Finance – Estimate Project Costs
3. Physical Building – Site
4. Stakeholder/Political – Support for Project
5. Project Management – Project Team
6. Board and Internal – Feasibility Within Organization

Assessing the Feasibility of the Project

The first stage is assessing the feasibility of the project, which is done by various entities in the organization, by the stakeholders and with the help of consultants. The end result is an affirmation of the project moving ahead, or the project being rejected, or the project being redesigned so that it meets approval. This section is devoted to assessment.

A flow chart, ASSESSING PROJECT FEASIBILITY is available on the next page.
Assessing Project Feasibility

1. Define the Project
   - Yes
   - Is there a market?
     - No
     - Start over
     - - OR -
     - Abandon idea
     - Yes
     - Will the financing work?
       - No
       - Start over
       - - OR -
       - Abandon idea
       - Yes
       - Does the site fit?
         - No
         - Start over
         - - OR -
         - Abandon idea
         - Yes
         - Does it fit the interests of the stakeholders and politics?
           - No
           - Start over
           - - OR -
           - Abandon idea
           - Yes
           - Is the workload manageable?
             - No
             - Start over
             - - OR -
             - Abandon idea
             - Yes
             - Does it fit the mission?
               - Yes
               - The project is feasible
               - No
               - Start over
               - - OR -
               - Abandon idea
ORGANIZING THE PROJECT – PROCEDURES

I. Feasibility Analysis

1. Marketing

Market Assessment – For Sale

Market studies are typically done during the feasibility stage of a project -- by hired consultants to provide the research on which you will determine whether or not you should go ahead with the project. The market study should help you determine the economic feasibility of the success of your project by analyzing:

- The customer base in the market area,
- The competition and the need for additional housing products,
- The range of options and pricing available to the customer and whether or not your pricing is consistent within the area for the unit size you will develop,
- If there are enough customers to buy your housing product at the price you wish to set;
- Various demographics in the community including whether or not your customer base resides in the community or must be attracted to the community, the schools, transportation, jobs, and shopping available.

SAMPLE MARKETING STRATEGY (Appendix H)

Market Assessment – For Rent

Market studies for rental housing look at the demographics of the targeted housing population that will be served in order to provide information on where a project might successfully be built and where there is a critical need.

SAMPLE CHECK LIST FOR MARKETING (Appendix EE.2)
ORGANIZING THE PROJECT – PROCEDURES

I. Feasibility Analysis (cont)

2. Finance

Feasibility/Financing

*Estimating your project cost is done early in the process* -- using current square footage building costs, land values, basic marketing costs, consultant fee costs and costs to borrow, insurance and legal costs, and by computing a developer fee. Rental income and operating costs can be obtained from your Property Management Company. Plan for how you will fill the gaps in funding with various scenarios. Take your plan to the Development Committee for approval and then with their recommendation, to the Board of Directors for approval.

Filling the Gaps – Amortized Debt and Subsidies

Critical to your project is your assessment of the gaps in your financing. There are a number of ways to look at this:

**For-Sale Housing:** How will you subsidize the cost to build the units you plan to sell so that they are affordable to your target market? Are there private sources of funding in your community that support affordable housing initiatives? Are there city, county, or state initiatives that provide funding for homeownership? On the federal level, will your project fit their requirements? Can you turn to other established national organizations that support homeownership? The application process can be lengthy and may require the assistance of consultants. Begin inquiries early in the development process.

**Rental Housing:** How much amortized debt can your project afford? In order to determine this you must develop projections for the operation of the project over a lengthy period of time, 10 years should provide a sufficient sample. Consult a Property Management Company for assistance in developing a pro forma that accurately represents daily operations: assesses rents and rent increases, loss of rents through vacancies and turnovers, marketing and management costs, on-going maintenance and finally maintenance reserves. Understand where the cash flow problems will be and how you plan to address them in your development and operating budgets.

**Financing Programs:** Have you looked into Low Income Housing Tax Credits (LIHTC), or HOME funds? Is TIF (Tax Increment Financing) an option for you? Can your project afford the cost of receiving LIHTC or TIF financing? If you are not familiar with the various funding programs ask a representative of LISC to help, or seek out advice from other non-profits or a consultant.

A flow chart, RECEIVING TIF FUNDS, is available on the next page.

SAMPLE FEASIBILITY PRO FORMA (Appendix I)
SAMPLE CHECK LIST FOR FINANCES (Appendix EE.1)
Receiving TIF Funds

- Does the site qualify as blighted and will improvements increase the tax base?
  - Yes
    - Is the local government willing to use TIF on the project?
      - Yes
        - Approximate the amount of available TIF dollars (may hire a consultant).
      - No
        - Insufficient Funds
        - TIF dollars approved by local council and contract created with the city.
    - No
      - Seek other sources.
  - No
    - Determine if the city will finance award through general obligation bonds or if you must arrange your own financing.

- Is the project a housing replacement district or a redevelopment district? (consult with local staff)
  - Yes
    - Complete local process for application submittal and development of district.
  - No
    - Seek other sources.
ORGANIZING THE PROJECT - PROCEDURES

I. Feasibility Analysis (cont)

3. Physical Building – Site

Site selection Assessment

Site selection will be critical to your project. You may be working with a partner that has a site selected which then you must analyze to see if it will fit your needs. You may need to work with a real estate agent to locate a site to fit your project. Some of the criteria for selection are:

- Size of the parcel (will it work for your project?)
- Cost of the parcel (can you afford it?)
- Does the site fit your needs and your location?
- Will it be available when your project commences?
- Will you need to clear the land, if so will you be relocating current tenants?
- If relocating current tenants, do you have a good understanding of Federal relocation requirements and the cost to your project?
- Will stakeholders approve of the site (will the neighborhood support it, will the local government approve, will your Board approve)?
- Is there a history of soil or other environmental problems that need to be resolved?

A flow chart, FINDING A SITE, is available on the next page.

SAMPLE CHECK LIST FOR SITE/BUILDING (Appendix EE.3)

Schematic Site Plan

Early in the feasibility process it will be helpful to develop various options to review with your stakeholders. Holding a design charette* to involve the community so that the neighborhood, the local government authority, supporters and or partners can come together to work on a concept plan, will give all your stakeholders the opportunity to be involved in providing feedback on what should be built on a site and how your development project will look.

*Design Charette

A Charette is a workshop in which a facilitator works with the participants – usually the stakeholders (public/private supporters, neighborhood representatives, developer, architect, service agencies etc) to develop a project concept. Often the facilitator is the lead architect for the project or someone with the expertise of a designer. The project concept can include a site rendering, a building concept, and amenities associated with the proposed site.
Finding a Site

1. Define site requirements
2. Find a potential site
3. Find a new potential site
   - Is the size okay?
     - Yes
     - Is the location okay?
       - Yes
       - Are the environment and soil okay?
         - Yes
         - Are the market and demographics okay?
           - Yes
           - Is the price okay?
             - Yes
             - Purchase agreement or option
               - Yes
               - Closing
             - No
           - No
         - No
       - No
     - No
   - No
     - Are the neighborhood and politicians okay?
       - Yes
       - Purchase offer
         - Yes
         - Is the purchase offer accepted?
           - Yes
           - Purchase agreement or option
             - Yes
             - Closing
           - No
         - No
       - No
     - No
ORGANIZING THE PROJECT - PROCEDURES

I. Feasibility Analysis (cont)

4. Stakeholders/Political

Support for your Project

*It is easier to do a project when you have the support of all your stakeholders.* Understanding the political base - what the neighborhood wants, and what the local government and funding community will support - will help you win support if your project fits their needs. However, sometimes projects move forward without the key support of some community members or other special interests. To do so there must be strong political will to ensure funding, and unwavering support from the Board to provide moral support for the development team to move forward.

Letters of support from stakeholders are necessary in the application process for a variety of federal, state and local funds. These letters provide recognition for and show the level of support for the project.

Communications and Reporting - Neighborhood Approval

Meeting with and personally reporting to the neighboring community or organized neighborhood association is important for cooperation. Your understanding of what the neighborhood strategic plan includes will help you develop with the neighborhood a product that meets their strategic plan goals. If a neighborhood representative is not part of the development team, keeping the neighborhood “in the loop” can be done by:

- Incorporating representation from the neighborhood at meetings during pre-development discussion;

- Meeting monthly to answer questions and concerns of the neighborhood and keeping the neighborhood informed during the build-out of the project;

- Including neighborhood representatives in the planning for public events for the project.

The neighborhood’s support is vital to a project and in some instances the lack of their support has been the road block disrupting projects and causing them to be under-funded or rejected by their local city council representatives.

SAMPLE REPORT TO THE STAKEHOLDERS (Appendix J)

SAMPLE CHECK LIST FOR POLITICS (Appendix EE.4)
ORGANIZING THE PROJECT - PROCEDURES

I. Feasibility Analysis (cont)

5. Project Management

Determining the Team

Complex projects will require putting a team together in the feasibility stage to provide expertise and input. As the project progresses consultants will be added as needed.

Each development project will have a team, even if the project is for a single family home. The basic team is the project manager, the architect, the general contractor, and the title company. The way your organization hires the major components of the team will depend on the source of your funding and whether or not you are required to publicly bid out contracts for your project.

Federal money in your project will require you to advertise for competitive bids and to follow Davis Bacon (DBRA) prevailing wage regulations. To confirm your hiring policy you may be asked to provide a Certificate of Compliance from your local municipality for receipt of your organization’s current Affirmative Action Policy. In addition to local affirmative action hiring policies and goals, your organization’s mission may establish higher organizational minority hiring goals for your project that encourage minority businesses and trades-people to bid on your projects. You should discuss your goals during the feasibility phase of your project to insure compliance by contractors and suppliers and to incorporate your goals in your bid package(s).

SAMPLE AFFIRMATIVE ACTION POLICIES (Appendix K)

SAMPLE ADVERTISMENT RFP FOR GENERAL CONTRACTOR (Appendix L)

SAMPLE BID SHEET FOR GENERAL CONTRACTOR (Appendix M)
ORGANIZING THE PROJECT - PROCEDURES

I. Feasibility Analysis (cont)

5. Project Management (cont)

Identify Needs

The scope of your project will set the parameters for identifying the resources that you will need to organize to have a viable project. In addition to the basic team you may need to add a marketing consultant and a real estate broker to the team. The complexity of your project may require that any or all of following be hired by the developer to provide expertise and resources:

- Appraiser
- Insurance Broker
- Attorney
- FHA Consultant
- Auditor
- Relocation Expert
- Property Management Company
- Environmental Specialist
- TIF or LIHTC Specialist
- Real Estate Broker (for site assembly or marketing for-sale units)

For a flow chart displaying the RELATIONSHIP OF THE PARTICIPANTS and their roles in the development process, see the following three pages.
Relationship of Participants
Description of Organization Chart Participants:

Board of Directors – This Board is established by the Articles of Incorporation and the Bylaws to be responsible for the actions of the organization. The Board approves policies of the organization and commits organization funds, and approves debt obligations of the organization.

Housing and Development Committee of the Board – On authority of the Board of Directors, this volunteer committee is formed to review and recommend to the Board projects to be developed by the organization, and to follow the progress of projects that have been approved. The Committee recommends housing policy to the Board.

Executive Director – The Executive Director (CEO) leads the organization and manages the day to day operations of the organization. The Executive Director is hired by the Board of Directors and is responsible to the President of the Board and the Board of Directors.

Administration – The administration includes staff assembled to lead various departments of the organization and manage the day-to-day operations of the organization.

The Development Department (or Division) of the organization oversees the progress of the project. The development staff involved in the project report to their supervisor, usually a department head (Director of Development) in the administration.

Internal Project Team – the team organized internally at the CDC may include those in accounting, legal, property management, asset management, housing services, and public relations and communications.

Project Manager - The Project Manager coordinates all aspects of the project with the Project Team and reports to the Director of Development -- the Director of Development reports to the Housing and Development Committee of the Board. 

Project Coordinator – The Project Manager may work with a Project Coordinator who reports to the Project Manager and is given direction by the Project Manager

Marketing Coordinator (Consultant) -- The project may require the experience of a marketing consultant to develop and coordinate a marketing plan for the project. The consultant is a project cost and paid out of project funds.

General Contractor (GC) – The GC is hired by the organization to build the project according to the plans and specifications and timetable on which the GC bid and for which the GC was awarded the construction contract. The GC may be required to post a bond guaranteeing the construction of the project; the GC will be required to furnish a certificate of insurance for his company and for all the subcontractors with whom the GC will be working. The GC works with the Architect and reports to the Project Manager.

Construction Supervisor – The construction Supervisor works for the GC and, at the direction of the GC, may also report to the Project Manager, but is responsible to the GC. The Construction
Description of Organization Chart Participants (cont):

(Construction Supervisor, cont)

Supervisor supervises the daily operations at the construction site and makes recommendations to solve problems. The Construction Supervisor works with the Project Manager and the Architect to resolve differences as they develop including change orders, draw requests, and other concerns, to the Developer’s (Owner’s) satisfaction.

Architect – The Architect is one of the first to be hired – often to lead concept workshops, but primarily to design the project according to the criteria set forth by the Developer and within the restraints of the Developer’s budget. The Architect is responsible for value engineering and may assist the Developer in putting together an efficient team to build out the project. The Architect signs off on the draws and may be hired at an additional expense to inspect the project and confirm that the project is being built to specification.

Legal/Title Company – A Title Company is selected by the Developer to close the financing on the project, provide Title Insurance for the project, review the draws and disburse payments for the project, receive all lien waivers on the project, and perform the final closing and reconciliation for the disbursement of all funds for the project. The Title Company works with the Project Manager on any discrepancies or problems that need resolution and may establish an escrow to hold funds for final distribution.

A major piece of the project is the legal component. The legal documents of the project will be drawn up or reviewed by outside counsel who may or may not work on a pro-bono or reduced fee arrangement with the CDC. Because the legal work is critical to the success of the project, it is imperative that consul knowledgeable in real estate transactions represent the organization.
ORGANIZING THE PROJECT - PROCEDURES

I. Feasibility Analysis (cont)

6. Board and Internal

Feasibility within the Organization

Test the feasibility of the project within your own organization. If you do your own property management, review the operating numbers with them to see if your projections are realistic. The accounting department and those doing asset management may need to review your pro forma. When your predevelopment budget has been reviewed meet with your Housing and Development Committee to go over your concept and your numbers. Ask them for preliminary approval

APPROVAL STEPS:

1st round of approvals: Concept Resolution (they like the idea)

2nd round of approvals: Financial (they closely review the financing and timing of the deal)

3rd round of approvals: Final Approval Resolution (they approve the contracts that close the deal)

BY ENTITIES IN ORGANIZATION:

Board of Directors

Housing and Development Committee of the Board

Development Project Manager with Development Director

SAMPLE CHECK LIST FOR MISSION (Appendix EE.5)

SAMPLE CONCEPT APPROVAL RESOLUTION (Appendix N)
ORGANIZING THE PROJECT – PROCEDURES

II. Project Assembly and Deal Making

1. Market – Clients/Customers/Marketing Materials/Sales or Lease-up
2. Finance – Applications
3. Physical Building – Architect/General Contractor/Construction Bidding
4. Stakeholder/Political – Regulatory
5. Project Management – Consultants/Partnerships
6. Board and Internal – Recognition/Approvals

1. Market

Clients and Customers

Following concept approval and prior to construction, it will be helpful to redefine who your customer is, is there sufficient demand, and exactly how you will reach them. A marketing strategy will organize your approach and provide you with a timetable for reaching your customer. Work with your marketing team to network with housing resources and referral agencies -- to inform them about your product and when it will be available. Periodically you will need to assess your progress, your pricing and your approach to guarantee your success. Your marketing team may include consultants, real estate broker or sales agent, public relations and communication advisors, and event planners.

SAMPLE MARKETING STRATEGY (Appendix H)

Marketing Materials

Depending on the scope of your project, the marketing materials you need should be developed to advertise your product. You may want to “name” your project for visibility and identification, develop a logo and brochures with product information – unit size, amenities, location and services. You may want to work with the public relations and communication staff in your organization to coordinate a serious of events around your project (ground breaking, opening of a marketing office, sale of first home or news about the first renter, etc). Information about these events becomes part of your marketing strategy.

SAMPLE MARKETING MATERIALS – FOR SALE, FOR RENT (Appendix O)

For-Sale

On a parallel track with the development of your project, will be the marketing of the project. You may be required by financing agreements to pre-sell a percentage of the project before construction can begin. This means that marketing can begin in earnest after you have received approval of project financing.
II. Project Assembly and Deal Making (cont)

1. Market – Sale/Lease-up (cont)

The Developer should review with the marketing agent all details regarding income requirements and any other criteria imposed by project financing.

Reservations for for-sale projects may be taken up until purchase agreements can be legally offered. If disclosure materials are required as part of the sale, they should be provided according to the limitations required by law. There may be other pre-sale requirements imposed by your state; your marketing agent and hired broker-agents must be familiar with these regulations. Post the equal housing opportunity logo with and/or on your marketing materials.

**Rental** – Rental applications can be accepted by your Property Management Agent after financing has been secured. The Leasing Agent should request a rent matrix from the Project Manager showing every regulatory condition and to which apartments they apply. Confirm the construction completion date of the housing units and ask how “solid” it is. All of your marketing materials should display the equal housing opportunity logo.

**GENERAL LEASING CRITERIA (Appendix P)**
II. Project Assembly and Deal Making (cont)

2. Finance-Applications/Proforma

Funding Application Preparation/Tipping Point

Critical to your project timeline will be the timing of funding applications. Careful study of when multifamily, single family or mixed use funding rounds occur, their application due dates and selection dates, will direct the schedule for much of your activity during the project assembly stage. Most projects today require multiple funding sources; workshops may be available to assist developers as they work through the maze of funding requirements and deadlines as they develop their pro forma.

If you are planning to use Tax Increment Financing (TIF) or Low Income Housing Tax Credits (LIHTC) your funding application (and approval) will need to be adjusted to the calendar year. If you do not begin construction in the calendar year in which your credits are approved you will be required to file to carry over your credits into the following year which might significantly impact the cost of your project.

After filing finance applications the project will continue to move forward in the project assembly or development stage while you await news of approvals. If keen competition, lack of support from a major stakeholder, or other reasons lead to a denial of your funding request(s), your project will be in jeopardy. This is the “tipping point” -- where you must decide if you re-group and try again, or throw in “the cards”. A frank discussion with your stakeholders and Board, with a realistic look at your options and the impact of delay to your project, will determine if you go forward or abandon the project.

Flow Chart RECEIVING TIF FUNDS (See page 24, section I.2)

Flow Chart APPLYING FOR HUD HOMELESS PROGRAMS (Appendix Q)

Construction and Permanent Financing

Construction financing provides gap financing during the time the project is being built and before closing on permanent financing at the end of construction; it is often referred to as “bridge” financing. Because the bank approval process is a lengthy one, starting with a loan officer and going through a number of loan committee reviews, the process should begin as soon as concept approval has been received from your Board of Directors, and applications have been submitted for project financing to various governmental agencies and foundations.
II. Project Assembly and Deal Making (cont)

2. Finance-Applications - Construction and Permanent Financing (cont)

Construction financing most likely will not be approved until other project financing is in place with application selections having been made public. Many financing requests will be contingent on other financing having been approved. Closing on construction financing occurs at the closing on the purchase of land, or of a building on the site to be re-developed. Following the development of the site and when the occupancy certificates have been authorized, the construction financing may convert at another closing to permanent financing.

SAMPLE CERTIFICATE OF TOTAL PROJECT COST (Appendix R)
With Sworn Construction Statement

SAMPLE HUD STATEMENT FOR CONSTRUCTION CLOSING (Appendix S)

Program Budgets - Working with Service Providers

When developing a project that incorporates services for residents, a program budget must be developed. At the least, this program budget should identify the sources of income for the program, the feasibility cost, start up costs, and the cost of the first year of operation. As with all budgets, the expertise of the person providing the budget numbers will determine the accuracy of the estimate. The program budget numbers may be incorporated into the funding requests in your project pro forma or you may wish to raise operating funds independently from the construction project.

SAMPLE THREE YEAR PROGRAM BUDGET (Appendix T)
ORGANIZING THE PROJECT – PROCEDURES

II. Project Assembly and Deal Making (cont)

3. Physical Building – Architect/General Contractor/Construction

Hiring an Architect or a Contractor

*The hiring process for both the Architect and the General Contractor (GC) are similar.*

There are several methods that can be used for seeking a General Contractor:

1. Public advertising through a Request for Proposals (RFP), often done when public funds are assigned to a project. The responses are evaluated for total construction costs and the lowest responsible bidder is chose.

2. Public advertising through a Request for Proposals (RFP). If you are selecting only a General Contractor, the selected contractor bids out and hires the sub contractors.

3. No public advertising. A qualified contractor is selected and the developer and the contractor negotiate the bid.

*Three flow charts are presented in the following pages:*  
THREE WAYS OF FINDING AN ARCHITECT, THREE WAYS OF FINDING A CONTRACTOR, and HOW TO HIRE A CONTRACTOR.  
SAMPLE ADVERTISMENT RFP FOR CONSTRUCTION CONTRACTOR (Appendix L)  
SAMPLE ARCHITECT CONTRACT (Appendix U)

Design standards

The project that you are designing may have very specific requirements that must be identified – design standards – that will be incorporated into the Architect’s design of the project. The design standards might be a template of standards that your organization insists are included in every project that you construct, or they might be quite simple, for example if the project is cluster housing on two square blocks in the center of the city:

- All homes must be in the character of adjacent neighborhood housing,  
  (two-story with gabled roofs and detached two car garages);
- All homes must have front porches, and wrought iron fencing no higher than 3 feet in the front yards;
- All homes must be air conditioned with all appliances furnished, and
- The contractor must incorporate standards for buyer options for electrical fixtures, carpet, interior paint colors, and kitchen and bath cabinets and counter tops.

SAMPLE DESIGN STANDARDS FOR RENTAL HOUSING (Appendix E)
Three Ways of Finding an Architect

The Government Method

Advertise the job

Allow all comers into an open bidding process

Evaluate responses

Accept the lowest responsible bidder

The Competitive Method

Advertise the job

Prequalify three general contractors

The three architects bid against each other

Evaluate responses

Accept the lowest responsible bidder of the three

The Private Method

Pick one architect

Negotiate the price
Three Ways to Find a Contractor

**The Government Method**
- Advertise the job
- Allow all comers into an open bidding process
- Evaluate responses
- Accept the lowest responsible bidder
- The general contractor hires subcontractors as he sees fit.

**The Competitive Method**
- Advertise the job
- Prequalify three general contractors
- The three contractors bid against each other.
- Evaluate responses
- Accept the lowest responsible bidder of the three
- The general contractor hires subcontractors as he sees fit.

**The Private Method**
- Pick one contractor
- Negotiate the price
- Bid out the subcontractors using the competitive method
- Select the lowest responsible bidding subcontractors
Hiring a Contractor

Define the project. Consider budget restraints, time restraints, building inspections and ordinance requirements.

Establish a scope of work to be done. Have a list of concerns and a goal in mind.

Put the work out to bid. Building exchanges, advertise on your website, Housing and Finance magazine, or the newspaper.

Receive bids.

Ask for reverences on similar projects. Go look at the project. Evaluate the capacity of the construction companies. Check to see if the construction companies have complied with HUD or local housing finance agency wage/labor compliance requirements. Can the company meet minority or woman owned business requirements?

Evaluate bids. Question bids especially those that are significantly lower than others. Review all aspects of the bid. Obtain required insurance/other information.

Make an informed decision. With the information you have obtained, choose the right person for the job.

Get a written contract. A contract spells out who, what, where, when, and the cost of your project. The agreement should be clear, concise and complete.

Before you sign a contract, make sure it contains:
- The contractor’s name, address, phone, and license number.
- The payment schedule for the contractor, subcontractors, and suppliers.
- An estimated start and completion date.
- The contractor’s obligation to obtain all necessary permits.
- How change orders will be handled.
- A detailed list of all materials including color, model, size, brand name, and product.
- Warranties covering materials and workmanship. The names and addresses of the parties honoring the warranties must be identified. The length of the warranty period and any limitations also should be spelled out.
- What the contractor will and will not do. For example, is site clean-up and trash hauling included in the price? Ask for a “broom clause.” It makes the contractor responsible for all the clean-up work, including spills and stains.
- Oral promises also should be added to the written contract.
- A written statement of your right to cancel the contract within three business days if you signed it at a location other than your permanent place of business. During the negotiation, the contractor must give you two copies of a cancellation form, (one to keep and one to send back to the contractor) and a copy of the contract or receipt. The contract or receipt must be dated, show your name and address, and explain your right to cancel.

Keeping Records: Keep all paperwork related to your project in one place. This includes copies of the contract, change orders and correspondence with your home improvement professionals. Keep a log or journal of all phone calls, conversations and activities. You also might want to take photographs as the job progresses. These records are especially important if you have problems with your project—during or after construction.
II. Project Assembly and Deal Making (cont)

3. Physical Building – Architect/General Contractor/Construction (cont)

Developing the Building Plans/Bidding out the Construction Project with an RFP

When the Architect has completed the first of many drafts of the building plans and specification, the plans will begin to go through a series of reviews with the Developer and the stakeholders. After the Developer approves the final draft of the plans they are submitted to the local municipal Planning, Zoning, and Building Inspection Departments for approval. These departments may require minor (or major) changes which the Developer and the Architect will need to address. Once all the regulatory agencies have been satisfied the project can go out for construction bidding.

If required by Federal or local regulations, the construction project is advertised to the public using an RFP to solicit bids. The bids are received by a specific date and time on a bid form and opened at a public forum. The bids are announced and the lowest qualified bidder is awarded the contract for construction of the project. The price, conditions of the contract including change order requirements, fees for additional work, penalties or liquidated damages for missing the completion date, etc are included in the construction contract.

General Contractor/ Benefit of using negotiated bid for GC services

One of the benefits of choosing the GC by a negotiated bid is the availability of the GC early in the project assembly process to provide a preliminary construction cost analysis for budget purposes. Having this information early gives the Developer more latitude to request changes in the design of the project to fit the funding available if the projected construction costs are deemed to be too high.

Architect – value engineering

One of the most valuable aspects of hiring an Architect familiar with affordable housing projects is the ability of the Architect to provide value engineering to keep the cost of the project down. Value engineering is the examination of “function or performance” to reduce the cost without reducing the quality. This evaluation is done with the General Contractor and the Project Manager– to analyze the building plans and specifications to remove unnecessary expenditures in the project costs, often by substitution of materials, sometimes by re-design.
II. Project Assembly and Deal Making (cont)

4. Stakeholders/Political

Build Political Support

*Neighborhood approval of your project generally means political support will follow.* Keeping the neighborhood informed and as an advocate for your project will be easier if the neighborhood has representation as part of your original concept planning team. Ask for advice and incorporate as often as possible the feedback that you receive. The neighborhood may be a partner in your project, or they may be your customer. Whatever their relationship, keep them informed about environmental issues, market challenges, design or construction problems by being straightforward when you report at meetings. Keeping them informed through written reports will provide them with a tracking system for reference for their constituency.

Political Objectives

Sometimes there will be a political agenda tied to a project. The objective of policy makers may be to solve an ongoing problem in the community, such as homelessness or supportive housing for chronic alcoholics. Understanding the political will, available financial support and neighborhood climate will be imperative to moving a “political” project along.

Regulatory approvals - Zoning Analysis

Recognizing and acting on problems arising from concerns regarding regulatory approvals is another part of assembling the project. Especially troublesome can be zoning issues involving set backs, parking, building height, the number of units to be clustered on the site, etc. Requesting variances or working with the city Planning and Zoning Department will be necessary in order to move the project ahead. You will need to work within the timeline furnished by the municipality for public hearings and comply with documents that are requested. Each city has their own ordinances – it is up to the Developer, the General Contractor and the Architect to know these ordinances and to comply with them. Make sure your site, physical building and concept plan are acceptable to the zoning department of your city.

Another zoning issue may involve service-related housing for specific clientele. Your community may have ordinances regulating how many supportive service housing projects can be operated in a neighborhood. Zoning for these projects may require independent efforts to change minds and influence constituencies to support your project. It may be an up-hill fight and require going to court for a ruling allowing you to continue.
ORGANIZING THE PROJECT – PROCEDURES

II. Project Assembly and Deal Making (cont)

5. Project Management – Consultants/Partnerships

Hiring and Managing Consultants

Your project may have very special needs that your organization can not provide - hiring experts to help you solve problems will be critical to your success. You may have to advertise by an RFP for these consultants, you may be able to negotiate directly with qualified individuals or agencies, or you may be fortunate to have others who will assist on a pro-bono basis. Work with your local government agency to determine what contracting requirements you must follow based on the underlying funding for your project.

You may need the expertise of some or all of the following consultants:

- Engineers – soil engineers for environmental issues, structural engineers to provide opinions on building integrity
- Legal – attorneys to draw up partnership agreements, write opinions on TIF Financing, review closing documents
- HUD - consultants to submit applications for FHA approval, write portions of your financing applications, provide expert advice on relocation issues
- Marketing – consultants to provide a marketing plan, real estate brokers/agents to sell or lease your housing product, graphic artists to develop a logo or a project identity

Legal

Often a non profit organization will have an attorney at their disposal who can give pro bono advice, and some attorneys will offer to provide services to non profit developers on a reduced-fee basis. To assure your partners that you have done your due diligence and to protect your organization from lawsuits, it will be important to hire an attorney(s) who specializes in this type of real estate development to provide you with competent advice as you develop your project. The extent of the attorney’s involvement will depend on how complicated your project will be:

- Do need help analyzing loan documents that revert to grants that will subsidize the cost of construction? Do you have multiple government agencies providing restrictive funds such as LIHTC?
- Will you be requiring second mortgages on the homes you sell to support the Federal financing your project is receiving?
- Will you be establishing a LLP (Limited Liability Partnership) to develop a multifamily rental housing project using TIF financing? Will you need a TIF opinion?
ORGANIZING THE PROJECT – PROCEDURES

II. Project Assembly and Deal Making (cont)

5. Project Management – Consultants/partnerships (cont)

Legal (cont)

- Are you taking on a project with the scale of a PUD (Planned Unit Development) that requires a large block(s) development plan for townhouse and or condominiums and need an attorney to negotiate the terms of your agreements and develop your disclosure documents?

All of these legal issues require expert consul. Your project may require that you assemble a group of attorneys, each with their own expertise in the area in which you will need assistance. If you do not know a good real estate attorney ask your fellow housing developers for their opinion to determine who the experts are in your region.

Compliance Requirements – Relocation

One of the experts that you may turn to is a relocation consultant to help you determine relocation requirements if you are planning to purchase an occupied building housing tenants that will be displaced by your project. It is essential that you understand the Federal Uniform Relocation Act (URA) requirements prior to the offer to purchase an occupied building. URA regulations will have a substantial economic impact on your project budget and may stop your project because of the cost involved. An expert will help guide you through the maze of regulation and the importance of following the procedure exactly as required.

Identifying and Determining Relocation Procedure

The following is a checklist of necessary steps to take when relocating previous inhabitants of a site:

- Review URA “All the Right Moves” handbook
- Determine if there are federal funds in the project
- Decide if it’s a permanent relocation or temporary
- Plan early - some notification is required at least 6 months in advance.
- Call a relocation specialist
- Budget for rent loss, relocation, and moving expenses
- Leave a great paper trail—keep copies of everything
- Keep relocation funds in a separate account for several years after the project so that eligible persons will continue to have access to them
- Don’t get sued

A flow chart IDENTIFYING & DETERMINING RELOCATION PROCEDURE is presented on the next page.
Identifying & Determining Relocation Procedure

- Keep a paper trail of EVERYTHING! Pay close attention to requirements regarding official mailings and notifications. DON’T GET SUED

- New Construction (relocating residents in a building to be demolished)
  - Rehab: Permanent (over six months)
  - Temporary
  - Rent loss
  - Temporary relocation

- Temporary
- Permanent

- Are you receiving federal funds?
  - Yes
  - No

- No matter how slight the possibility of relocation is, let them know about federal funds used in the project and that there is a possibility of being relocated
- Call a relocation consultant
- Consult the handy URA “All the Right Moves” handbook
- Be sure to know all of the relocation requirements from the funders well in advance

- Budget for rent loss, relocation (anything above 30% of the resident’s income for 3 years), relocation consultant, moving expenses: movers, utility transfers, moving suppliers etc.
Communications and Reporting

Detailed reports are expected (and necessary) in complex projects. The internal team will keep reports of every meeting and they will generate progress reports monthly to the Housing and Development Committee and to the Board of Directors according to Board policy. You may also need to file periodic reports with syndicates (limited partners), loan officers at banks or other financial lenders, sponsors, and others with a substantial interest in your project.

EXAMPLE: Quarterly Report  
FROM: Developer  
WRITTEN BY: Project Manager  
TO: Partners, Financial Lenders, Sponsors  
RE: Update on project timeline, current status, financial situation and current  
Pro forma, critical next steps. Request for approval(s) as necessary.

Progress Reports (Internal Team and Board members)

The progress report is a tool to keep communication open during development and construction of your project. The internal team (staff working for the Developer) will keep memos and meeting notes to chart the course of the project insuring that decisions that are made are documented and followed. The weekly construction meetings will be written up by the GC and distributed to those attending for approval and corrections. These progress reports track all changes made during construction and when consensus is needed regarding problems as they develop.

SAMPLE CONSTRUCTION PROGRESS REPORT (Appendix V)

Maintaining and Solidifying Partnerships

Stakeholders may be partners in your project in the legal sense, or merely interested supporters. Your communication with the stakeholders – and ensuring that they are “at the table” during the concept stage of the project and kept informed during the project assembly stage – will give them a “stake” in the outcome of your project. It will be necessary to inform them when you encounter problems that directly impact the project (political issues, environmental roadblocks, financial set backs that may slow or halt your progress). Keeping the stakeholders “in the loop” with written correspondence as well as in verbal discussions will help them remain confident in the direction that the project is going.
II. Project Assembly and Deal Making (cont)

5. Project Management – Consultants/partnerships (cont)

File Management

Project Managers find themselves inundated with paper by the time they are well into assembling the project. The single file they used in the concept stage during predevelopment has now merged into a comprehensive filing system to help keep track of all documents.

A flow chart depicting FILE MANAGEMENT THROUGH TIME is presented on the next page.

SAMPLE FILING SYSTEMS FOR PROJECT FILES (Appendix W)
File Management Through Time

Predevelopment

Development

Project Completion

10 Years After Completion

- Marketing
- Finance
- Physical Building
- Stakeholder/Political
- Project Management
- CDC Board & Internal

- Asset Management - Permanent
- Interim (hold 10 years)
- Archives (historic for CDC)

- Document Destruction
II. Project Assembly and Deal Making (cont)

6. Board and Internal

Financial Review and Approval

The Board of Directors and the Housing and Development Committee will be following the “deal making” and assembly of the project closely after they have given concept approval. All of the affected departments in the organization will be providing input as the project becomes a reality. The Board must also receive notice of major changes to the project as they develop, and of any variances that they must approve for the project to proceed. After the financial applications have been submitted and approved by various funding agencies, the Board will receive your request for approval to borrow funds. When the Board approves the “borrowing resolution” the project will have “go ahead” status and the development team can begin to prepare to close on the construction financing.

The Borrowing Resolution Check List: The following items appear in a borrowing resolution:

- Opening description of the ownership entity of the project;
- Name of the sponsor and/or of the developer;
- Statement about the general partner, if any;
- List of the funding sources, the amount, how secured, and a copy of the physical documents attached as an Exhibit;
- Authorization to be part of a limited partnership, if any, to develop the project;
- Authorization by named individuals in the company to execute documents in connection with the development of the project, naming the documents and the loan or grant amounts including the construction documents and contractor/consultant contracts, limited partnership documents, and development agreement;
- Naming specific individuals as general partners in the partnership and giving the individual authority to execute and deliver documents, reports, certificates etc;
- Stating that the authority given in the resolution shall continue until written notice of rescission or modification is made;
- Ratifying and approving actions previously taken and documents executed by named individuals.

Certificates:
- Separate certification stating that the undersigned is the President of the Corporation and that the resolution(s) was adopted by the Board at a meeting (date noted) for which notice was given and a quorum was present;
- Separate certificate that the attached is a true and correct copy of the resolution unanimously adopted at a meeting called in compliance with laws, requirements etc.

SAMPLE BOARD BORROWING RESOLUTION (Financing Resolution) [Appendix X]
ORGANIZING THE PROJECT – PROCEDURES

III. Construction

1. Market – Marketing Office
2. Finance – Draws
3. Physical Building – Construction Schedule
4. Stakeholder/Political – Events/Support
5. Project Management – Consultants/Services
6. Board and Internal – Response/Reports

1. MARKETING – Marketing Office

Having a marketing office at the construction site is a plus in promoting your project, especially if you are developing a for-sale project. The opening of the marketing office is cause for celebration and another way to publicize your project and what you are offering. All of your sales material must be ready for the opening of your office and your sales staff should be primed with any and all marketing details. A visitors book will help keep track of people who drop by, and especially useful for making “call-backs” and keeping track of daily traffic. It will be important to post visible signs locating your office and your business hours, and that you are an equal housing opportunity project as you conduct your marketing efforts.

For-Sale: Working with the Contractor

The Developer and the General Contractor with the marketing staff should determine what, if any, options will be offered with for-sale housing. Will buyers have the opportunity to select carpeting, appliances, and fixtures? If so, deadlines for ordering and samples of options should be provided in the marketing office and any additional cost should be presented in writing with multiple copies for all parties. If a model home is also the site of the marketing office signs must be posted noting if finishes displayed are “extra” and not included in the price of the home.

Disclosure Documents: Housing projects that have homeowner associations will have multiple disclosure documents. Sometimes single family homes will have covenants attached to the land which also must be disclosed. These disclosure documents which are required by law are part of the purchase agreements and are provided within specific time constraints which protect prospective buyers who may after reading the documents decide to cancel their purchase agreement. The marketing agent must provide these documents upon request and may ask for a deposit while the documents are in the possession of the prospective buyer.

SAMPLE VERIFICATION ON RECEIPT OF CONDO DOCUMENTS (Appendix Y)

For Rent: During the construction of a rental property, the lease-up and qualifying of renters is the main focus of the marketing staff. It will be important to stay in contact with tenant applicants to update them if the construction schedule and completion date change.
III. Construction (cont.)

2. Finance - Draws

Draw requests/inspections

A draw request is a legal instrument in which the General Contractor requests payment for completion of a portion of the construction to-date. The key here is completion.

The Developer and the General Contractor (GC) must agree prior to the signing of the contract if the Developer is going to pay for materials delivered to the construction site but not installed. The Construction Contract will also state the percentage of each draw that will be withheld until the end of the project when completion, approval, and sign-off by the regulatory agency(s) has occurred. For the sake of this Policies Manual we do not recommend paying for materials that are not installed, and 10% withholding is standard.

When draws are submitted by the GC, the Architect will inspect and sign-off on the installation of materials and that portion of the construction included in the draw. When draws have been signed, copies are sent to the regulatory agency (government) overseeing the project for approval. When the regulatory agency approves the draw the original is sent to the Title Company for disbursement. It is important for the developer to be “on top” of the draws to insure that the GC receives timely payment for his work. Partial lien waivers for work completed to-date by subcontractors should accompany the draw. (Copies of the draw may also be requested by other lenders or financial partners involved in the project. Their approval of the draw request may also be required.)

Draw request from General Contractor
↓
Architect reviews and approves and signs
↓
Developer/owner reviews and approves and signs
↓
Regulatory Agency reviews and approves and signs
↓
Title Company reviews and approves and disburses funds

A flow chart detailing the DRAW REQUEST process is shown on the following page.
Project Draw Requests

1. Start Draw Process
2. Establish Draw Meeting (1 Per Month)
3. Contractor Prepares Certificate for Payment & Continuation Sheet & Change Orders AIA G702 Doc
4. Project Manager Reviews Draw Paper work
5. Is Draw Correct
   - Yes: Architect Review Draw & Change Orders
     - Yes: Draw Meeting at Building Site
6. Is All work Completed to Satisfaction
   - Yes: Project Manager & Architect Sign All Change Orders & Application for Payment
   - No: Continue with process
7. Project Manager Completes Draw Letter and Request including all other Invoices
8. Project Manager Gets Exec. Management Signature & Sends Draw to Bank and Title Company
9. Bank Reviews Draw
10. Is Draw Correct
    - Yes: Bank Approves Draw
    - No: Continue with process
11. Bank Wires Money to Pay Draw to Title Company
12. Title Company Process All Lean Warnings
13. Title Company Issues Checks to all Vendors on Draw Request
14. End Draw Process

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- DEVELOPER
- CONTRACTOR
- ARCHITECT
- BANKER
- TITLE COMPANY
- MULTIPLE PARTIES
III. Construction (cont)

2. Finance – Draws/Change Orders (cont)

Change Orders

A change order is required when an item which was to be included in the project is not available and the contractor or architect wish to make a substitution, or when something unforeseen occurs and requires additional materials (and cost) to rectify. The Construction Contract will include the cost associated with responding to a change order – perhaps a 7% fee per change order will be charged to the project. The change orders are the responsibility of the GC and are to be approved prior to being attached to draw requests. They are signed off (approved) by both the Architect and the Developer/Project Manager. The Project Manager must be aware of the additional (or reduced) cost to the contract and must have available funds for increases to the contract.

A flow chart detailing the steps in a CHANGE ORDER is presented on the next page.

SAMPLE CHANGE ORDER WITH DRAW (Appendix Z)
Change Orders

Need for change arises

Owner requests pricing/product information

Contractor provides

Owner designs

Do all parties accept the change?

Yes
Add to contract

No

Revise

- OR -

Lose idea
ORGANIZING THE PROJECT – PROCEDURES

III. Construction (cont)

3. Physical Building - Construction Schedule

Construction Schedule

*Monitoring the construction and tracking the construction schedule will be a daily task of the Project Manager.* The Architect may be compensated for providing inspections during the construction period but it will be the Project Manager who will work closely with the construction site Supervisor to keep the project on track. The construction contract may identify a penalty for bringing in the project late, or a bonus for bringing in the project on schedule or early.

SAMPLE CONSTRUCTION SCHEDULE (Appendix AA)

Construction Reports

The General Contractor (GC) will hold weekly meetings at which time minutes will be taken and then transcribed by the GC for all in attendance. These minutes will become the basis for following the build-out of the project. At the Construction meeting the Project Manager and the Architect will have the opportunity to voice concerns with the GC and have those concerns put into writing. In complex projects concerns may be addressed on 3-ply forms that are filled out and copied to various parties with an interest in the project.

SAMPLE CONSTRUCTION MINUTES (Appendix BB)

Punch Lists

When the GC notifies the developer that the project is completed and the final building inspections are occurring, the Developer and the Architect will inspect the building for unfinished work or work that needs repair noting the location and the action that is required. This written list is a “punch list”. The GC or the Architect may have forms in triplicate that are used for this purpose. The General Contractor will send these lists to the subcontractors who are responsible for the work. Any work that remains incomplete should be noted by the Developer and funds should be withheld from the final payment to the General Contractor -- enough to cover the cost of the work (generally not less than 150% of the cost to perform the work, and often 200% of the cost to finish the work). The funds withheld are placed in escrow with the Title Company to insure that money is available to complete the project.

SAMPLE PUNCH LIST (Appendix CC)
III. Construction (cont)

3. Physical Building (cont)

Warranties

Warranties are provided on certain materials or equipment supplied and on installation of those materials. Your state may require a 2-10 warranty on general workmanship (2 year warranty for electrical and plumbing and 10 year warranty on the structural integrity of a building). The Developer should require a one (1) year warranty on all workmanship so that the owner can expect repair or replacement of defective materials or workmanship during the first year of operation.
III. Construction (cont)

4. Stakeholder/Political – Events/Support

Maintaining Support throughout Project

*Keeping the stakeholders informed during the build-out of the project can be done through reports and by a series of events at the project.* The Project Manager can also address the stakeholders at various times during the construction phase at meetings designed to inform various constituencies as to the progress of the project.

Celebrations bring people together and provide visibility for new projects. Various milestones in the project can become times to celebrate:
- Ground-breaking and construction start;
- Raising the first wall or topping off a building;
- Completing a unit and opening it as a marketing office;
- Conducting tours when construction workers are off-site;
- Building a playground;
- Holding an open house at the project at the completion of construction to recognize the partnerships and collaborations that made it all happen.
III. Construction (cont)

5. Project Management – Consultants/Services

Managing Consultant Activities

The Project Manager will be juggling multiple jobs during the construction phase keeping up with marketing efforts, problem-solving with the Architect and Engineers about construction site issues as they arise, making sure that construction draws are timely and accurate, and keeping the Board of Directors, the Housing and Development Committee and all other stakeholders and constituencies informed as to the progress for the project.

Marketing Follow-up on For-Sale Housing

The Project Manager may meet weekly with sales agents during construction of the project in order to stay informed about the status of marketing efforts. It will be important to follow up with agents on logs that detail calls, call-backs, walk-in traffic, first and second visits to the marketing office. If the policy is to offer interested buyers options to customize homes then the coordination between the GC and the build-out of those homes becomes even more critical to the construction schedule. Keeping the progress of construction going according to the schedule provided to the marketing agents is imperative so that buyer closings and construction closings remain on parallel paths.

If marketing is going slowly then decisions must be made on attracting buyers -- offering incentives which do not severely impact on sales margins, or increasing marketing coverage through creative and new promotions.

Relocation Procedures

When the development project is the rehabilitation of a formerly occupied building there will be extensive work with those tenants on their relocation. The relocation consultant (we do not recommend that you take this on yourself unless you are an expert in relocation policy) will have assisted the tenants in their relocation before the construction project began. If the former tenants will be returning to the building upon completion of the renovation, the relocation consultant will need to keep the Project Manager informed about issues that may arise while the tenants are temporarily housed in a different location(s).

The coordination of moving displaced individuals back into a renovated facility will require assisting them with identifying which unit they will move into (federally regulated and determined by family size), their allotted moving expenses, utility hook-up subsidy, and numerous other federally regulated procedures. Because there may be tenants who are entitled to relocation assistance who can not be found, the files must remain open and the monetary awards kept available for that time when they request them.
III. Construction (cont)

5. Project Management – Consultants/Services (cont)

**Services Programs for the Project/Taking Rental Applications**

During the construction phase of the project, the Project Manager will prepare for the handoff of the building to the Property Management Company and the service providers. Space may be built-out for the service program in the new facility which must be inspected by the provider at the close of construction. The service provider may have a built-in clientele who plan to make application to rent at the facility in which case all fair housing regulations will apply. The rent up of the building will continue until the building is fully leased.
III. Construction (cont)

6. Board and Internal – Response/Reports

Coordination with Internal Departments:

Accounting

The Accounting Department of the Developer will request copies of all closing statements from the construction closing in order to book the debt and all revenues received on behalf of the project. This Accounting Department will receive copies of each draw – one set for their own records and one set for the auditor. The Project Manager will keep the Accounting Department informed regarding the cash flow from the Title Company or Escrow Company as funds flow in and out of the project.

Property Management

The Project Manager will be working with the Property Management Department to coordinate the hand-off of the project to their staff at the completion of the project. Lease-up of the building will be monitored to ensure that it is on track and will not cause additional cost to the organization with vacancies occurring at the hand-off. Because the construction schedule will impact those who are planning to move into the building, close communication must be maintained between the General Contractor, the Project Manager, and the Property Management Department on the progress of construction.

Reporting to the Board/Housing Committee

The Project Manager will provide monthly updates to the Housing and Development Committee and they will in turn report to the Board on the progress of the development project. Only major problems and issues become part of their discussion agenda, otherwise reports are for “information only”. These progress reports should include items that directly impact the construction schedule, the marketing progress of lease-up or sales, and concerns of the stakeholders; the reports will become part of the minutes of the Board of Directors.
IV. Property Management or Sale

1. Market – Buyers/Renters
2. Finance – Fees
3. Physical Building – Completion
4. Stakeholder/Political – Relationships
5. Project Management – Turnover
6. Board and Internal – Property Management

1. Market – Buyers/Renters

Walk through/Certificate of Occupancy/Closing

Upon receiving notice from the Project Manager that the property has been completed the Home Buyer or the Rental Project Owner will conduct a walk-thought prior to closing, usually the Buyer with their sales agent and the Rental Project Owner with their Property Manager. They should note in writing any concerns over workmanship and list all items that need further work. The General Contractor should respond prior to the closing or turnover and make repairs. The Buyer or Rental Property Owner should go through the property again to determine if the work has been completed to their satisfaction. If not, a list of unfinished work should be brought to the closing or upon turnover and a cost to finish the work should be determined with funds held in an escrow account to insure completion and payment.

For-Sale/Escrow Agreement: Upon receiving receipt of the Certificate of Occupancy from the city Department of Building Inspection, the closing can occur with the Buyer taking possession of the property. The transfer occurs with the sales agent’s assistance at a closing usually held at a Title Company. At closing the Developer/Seller (who may be represented by the Project Manager) will approve the final payout to the General Contractor (GC) for the construction of the unit minus any retention for uncompleted work – this retention or escrow, must be agreed upon by the Buyer, the Buyer’s mortgage lender, the government authority providing loans for construction and development of the property, and the Developer and the Title Company. Without an Escrow Agreement as to the amount to withhold to make final repairs the property will not close. The GC must furnish a final lien waiver – the value of the construction of the unit to be sold -- to the Title Company at closing.

For-Sale Project—Closing

The Title Company will provide a HUD closing statement for all parties to review prior to the closing. Agreement on all fees to be paid (and by whom) will speed the process along - which can be a very lengthy one if a second mortgage or additional debt is taken out against the property.

If the property to be purchased is a condominium unit (which required an entire set of disclosure documents to be furnished when the purchase agreement was signed), the closing will be more complex with limited warranties, covenants and specialized instruments attached to common property which must be understood and signed by the Buyer.

The flow chart on the following page details the process of CLOSING WITH THE BUYER.
IV. Property Management or Sale (cont)

1. Market – Buyers/Renters (cont)

Rental Project – Certificates of Occupancy

Following the completion of the project, Certificates of Occupancy (CO) will be provided by the office of Building Inspection for each wing or corridor of adjacent units as it comes “on line”, and for the building. No renter can move in until all inspections are “signed off” and the certificate for the building is issued or for that part of the building that will be occupied. Coordination of the move-in will be done by the Management Company.

Lease-up of the rental units may continue after construction is completed and the building is first occupied. There may be a leasing office on site to market the property, or a number may be posted to call on a “vacancy” sign. Renters will need to be informed of building policies and to contact the Management Company if any problems occur in plumbing or electrical, or any other systems in the building.
ORGANIZING THE PROJECT – PROCEDURES

IV. Property Management or Sale (cont)

2. Finance – Fees/Compliance/Project Close Out

The Developer will receive the development fee(s) from proceeds from the Buyer’s closings on the sale of each of the properties or when the closing is held on permanent financing for rental projects when all inspections by the city have been completed.

Receiving Fees for Rental or For-Sale Projects

The development fee for the project may be based on a per-unit fee or a percentage of the total cost of project. The fee is originally projected in the project pro forma and agreed upon when the financing for the project is approved. The fee is realized when the Developer submits a request for payment at the closing along with other final project expenses and the General Contractor’s final draw request.

The fee may be compromised by an escrow agreement if unfinished items remain for which there is no other payment except the Developer’s fee. In this case a percentage of the fee will be withheld to insure that final items are completed and that funds remain for the final payment(s) to the contractor.

Compliance/Certification: Providing Documents for Accounting/Property Management

When rental properties are developed with TIF, LIHTC, HUD Homeless funds, CDBG grants, or other funding vehicles that are directed specifically to benefit low income people, there are usually compliance provisions that must be addressed annually in the form of certification of income. The Accounting Department should be informed of this and documentation of the compliance guidelines should be provided to assist the Property Management Department. If HUD will be required to perform annual inspections of the project, this information must be given with the documentation and contact information to Property Management Compliance Department and the Accounting Department.

Project Close Out

The project is closed when the last unit is sold or the building is transferred to the Property Management Company, all draws have been paid, a reconciliation has been performed by the Title Company (that agrees with the reconciliation of the Accounting Office of the Developer and the cash disbursement schedule of the Project Manager), all punch list items and escrows have been resolved, and all fees and remaining funds have been disbursed.
IV. Property Management or Sale (cont)

3. Physical Building

Lien Waivers

*It is the responsibility of the Developer to insure that the General Contractor has received all lien waivers from the subcontractors as work progressed and that these have been turned into the Title Company.* Upon completion of the project, liens waivers for 100% of project expenses should be in the hands of the Title Company. The Title Company is responsible for insuring that all contractors have been paid before disbursing any remaining funds to the Developer. The lien waivers provide that proof.

Turnover of Property

The turnover from Project Manager to the Property Manager will go smoothly if both parties have been in communication about the construction schedule, the inspection process, the lease-up and target date to move in. Since the turnover will affect so many people who will be leaving ‘old’ housing to move into new housing it is imperative that families are not literally left out in cold because the building does not pass inspection. If relocation of former tenants is an issue - with these tenants moving back into a rehabilitated building - then the coordination of their moves must also go smoothly. The most important challenge is finishing the rental project according to the construction completion- turnover schedule.

SAMPLE TURNOVER CHECK LIST TO PROPERTY MANAGEMENT (Appendix DD)

Turnover of Warranty Materials

The Project Manager should collect all warranty materials (appliance warranties, utility manuals, etc) along with the as-built plans and specifications, and present these to the Property Management Department. The Property Manager can decide if specific instruction manuals or materials are to be left in the unit for the person(s) who will occupy the unit.
IV. Property Management or Sale (cont)

4. Stakeholder/Political

Maintaining Relationship by Successful Property Management or Sales

The stakeholders will consider the project successful if the project is completed on time and on budget, if the lease-up and/or sale of the building goes smoothly, and if there is positive feedback about the project. Those funding the project will look for the same outcomes, especially the lease-up and sale and the timely completion of the project.

Some things are out of control of the Project Manager, but assessing accurately the market and having that assessment stay-the-course through the project will lead to a successful project. It will be equally important to have a respected Property Management Company receive the property following the completion of construction so that neighbors adjacent to the property can expect good management practices.

Property tours

Often at the conclusion of a project there are tours to show off the property. Successful projects with high visibility may be called upon from time to time to be part of a tour, even 5 or 10 years later. If the project remains in the Developer’s portfolio it is easy to arrange a tour. However if the property is part of a homeowners association it will be necessary to make tour arrangements through their Board of Directors and Management Company. Maintaining a cordial and responsive relationship with previous homebuyers will keep the door open for future interaction.
ORGANIZING THE PROJECT – PROCEDURES

IV. Property Management or Sale (cont)

5. Project Management

Finalizing Turnover of the Project for Delivery of Services

For Sale Property:

Anticipate ahead of time that the project will have challenges and that there may be changes in the construction schedule which will impact the completion of the building. The Buyer’s Agent must be kept informed about changes in the completion date. Buyers may need to give 60 days notice if they are currently renting. If the construction completion date is a moving target, it may put sales at risk – sales that are based on the Buyer qualifying for a loan at a specified interest rate offered over a short period of time, which they can not afford to lose. The Project Manager may need to come up with additional funds to help keep the Buyer qualified – so long as such help is legal and doesn’t compromise the integrity of the purchase offer and sale to the Buyer.

Rental Property:

When a development project includes the delivery of services to a targeted population, it will be necessary for there to be on-going communication with the service provider regarding the construction schedule. Changes in the projected completion of the project will affect the hiring and placement of the service staff and the start-up of business operations in the facility. The coordination of the start-up with the service provider, the turnover of the property to the Management Agent, and the move-in of the residents will require that the parties be flexible to adjust as situations arise.

When the turnover of a building is compromised by something out of the Developer’s control (a strike by a union, a delay in receiving building materials because of a disaster) the Developer may need to find housing for renters who gave notice and are now displaced because they can not move into their new housing, or, to pay a portion of their rent so that they can stay on at their current residence while they wait for the project to be completed, or, if they are living now with relatives, to put their household goods in storage until they can be delivered to the site. Assistance in times of trouble will go far in keeping the customer happy.

Inspections and Punch Lists

The Project Manager will be responsible for setting up inspections with the Buyer’s agent for the Buyer - or for Property Management - to walk through the housing unit or the facility to make sure it has been built to the specifications that were presented. The Architect uses a form called a punch list which may be available for use by the Buyer. This form comes in triplicate (or greater): a copy for
ORGANIZING THE PROJECT – PROCEDURES

IV. Property Management or Sale (cont)

5. Project Management (cont.)

Inspections and Punch List (cont.)

the customer, a copy for the General Contractor, a copy for the Developer. Additional inspections will be held to make sure that repairs or corrections have been made to the satisfaction of each party, or to a negotiated satisfaction of all parties. Compile all information between the parties in writing.

RESOLVING PROBLEMS WITH PAST PROJECTS

If you receive a call from a homeowner who purchased a home from you 12 years ago and now wants to know what shingles were installed on the roof, by whom, and is there a guarantee now that the roof is leaking, will you know how to respond? You need to be familiar with where project information is stored and for how long so that you can either research an old project file or inform the caller that no information is available because of your document destruction policies. (See Retention of Documents, Appendix W)

Having a flexible policy regarding problems is helpful in keeping your customers happy; however, if you clearly are no longer responsible you need to relay that to the customer so they can set about to make repairs or corrections for the problem themselves.

Questions that you can ask to establish a policy in response to warranty issues may include the following:

- Do your have a builder’s warranty provision in your State that protects the client? What is it? What type of problems fit the warranty provision?

- Do you keep a reserve fund to pay for repairs when former clients call with problems that you wish to resolve for your “public imagine” and reputation? What type of calls can you refer to this fund? If you make a repair do you have a “sign off form” for the customer that makes them responsible for further problems related to this call?

- Can you refer this call directly to the builder or subcontractor?

- Is your staff informed about your document destruction policy so that they will know if you are still holding project files at the time of the call?
ORGANIZING THE PROJECT – PROCEDURES

IV. Property Management or Sale (cont)

6. Board and Internal

Post Mortem of Project

The Project Manager and the Development Team with the internal departments providing information and assistance to the project may meet for a Post Mortem of the project within 30 to 60 days of completion of the project. Their analysis of the project may lead to the development of new policies for the organization, new practices, and new methodology.

Building Plans and Specs: Property Maintenance Department

When a rental project is turned over, the Maintenance Supervisor or Property Management Company should receive copies of the “as built” building plans and specifications, and especially the utility drawings.

Retention of Documents

Project documents for properties sold are retained for 10 years, at which time they can be destroyed. Project documents for properties held in the Developer’s portfolio are reviewed by the person in charge of asset management and those documents related to asset management are “pulled” and held as permanent records as long as the property is held by the Developer. Any document of a personal nature, with financial information or of a confidential nature, which is no longer needed, should be shredded.

SAMPLE FILING SYSTEMS WITH RETENTION SCHEDULES (Appendix W)
1. Organization of Key Project Information

The filing system for any project is the key to keeping the project organized. Complete records and their accessibility will keep the work on the project running smoothly. Samples of the following types of file retention systems are available in Appendix Z: For-Sale, For-Sale Condo, and Rental.

SAMPLE: For-Sale Condo filing system* may be broken down into:

1. Acquisition (appraisal, deeds, closing docs, purchase agreement, title)
2. Construction (architect, const bidding, demo, draws, construction schedule)
3. Environmental (Phase I, lead and asbestos, geotechnical, hazardous materials)
4. Finance (predevelopment, MHFA, proforma, taxes, invoices, schedules)
5. Tax Credit – Limited Partners (engagement letter, carryover, guarantees)
6. Insurance (general liability, builder’s risk, architect, property)
7. Community/Government (zoning, site plan review, neighborhood support)
8. Marketing/Management (study, PR, groundbreaking, demographics, sales)
9. Closing Files (resolutions, checklists, HUD)
10. Partnership Organization (organizational docs, mission/roles, agreements)

* This system for filing was developed around projects that have received concept and financing approval and have moved ahead to close on construction financing.
2. Terms and Definitions

**Bridge Loan** - a loan that provides funding before permanent financing has been received but has been committed

**CDC (Community Development Organization)** - a non-profit organization whose mission supports development activity in a region

**CO (Certificate of Occupancy)** - the written documentation by a city’s inspection department that a building has been inspected and is safe for occupancy

**Cash Flow Management** - the timing of disbursements to maintain available cash throughout an entire development project

**Davis Bacon and Related Acts (DBRA)** - federal regulations requiring payment of prevailing wages to labors and mechanics employed on federal and federally assisted construction projects

**Design Charette** - a workshop where a qualified individual (usually an architect) leads a discussion of stakeholders in the conceptual designing of a project

**Draw** - the written request with back-up detail, by a general contractor for payment

**Due Diligence** - the effort made by an ordinary prudent or reasonable party to avoid harm to another party or himself. Failure to make this effort is considered negligence (also known as “due care”)

**Escrow** - closing of a real estate transaction when all required documents and funds are placed with a third party for processing and disbursement.

**FHA (Federal Housing Administration)** - an agency of the U.S. Department of Housing and Urban Development

**Feasibility Study** - research to determine if a proposed project has the ability to succeed

**HUD** - the U.S. Department of Housing and Urban Development

**LISC (Local Initiatives Support Corporation)** - a national organization which supports non-profit community development organizations in their missions to “transform distressed neighborhoods into healthy and sustainable communities…."

**Lien waiver (Waiver of Liens)** - a legal document that provides a waiver of lien rights by someone providing labor or materials for the improvement of specific land
LIHTC - Low Income Housing Tax Credits, a method of subsidizing affordable housing through syndication to raise investment dollars

Operating Budget - the budget designed for the daily operations of the completed project

Pro Bono - legal or other professional work undertaken voluntarily and without payment as a public service (from Latin mean “for the good”)

Punch List - a list of items compiled by the owner/developer at the completion of a construction project that require additional work, re-work, replacement etc before the project will be accepted by the owner/developer

Predevelopment Advances - payments made to consultants (architects, soil engineers, location experts, etc) during the concept/feasibility phase of the project

RFP (Request for Proposal) - a public advertisement or seeking of proposals from contractors or service providers

Stakeholder - a person or organization with an interest (or “stake”) in a project (a neighborhood group, sponsor, grant maker, etc)

Sub Prime - a below prime interest rate, lower than prime

TDC - the total development cost or TPC, total project cost

TIF (Tax Increment Financing) - a financing and development tool that allows future real property taxes generated by new development to pay for costs of construction of public infrastructure and other improvements

Title Company - the title insurance company that in some areas of the county offers closing services on real estate transactions as well as title insurance and title research services

URA (Uniform Relocation Act) - a set of federal policies that provide assistance for those dislocated by development activity which is financed with federal funds

Variance - in zoning, permission to vary from a standard

Working Capital - the segregated cash on hand or held in escrow, to pay for development activity