



A Primer for Beginning Rural Housing Developers

Housing Assistance Council



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HAC is a national nonprofit organization that supports the development of rural low- and moderate-income housing nationwide through loan funds, training and technical assistance, research and information products, and policy advocacy.

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INTRODUCTION

Rural organizations play an important role in combating the effects of the recession by working to provide affordable housing for an increased number of people. Due to high need, many rural organizations without prior housing development experience may now be interested in exploring the development process. This manual is intended to serve as a starting point for those groups by providing a basic overview of the housing development process and the understanding necessary to move on to more detailed and more complete guides to housing development. This guide does not cover every step of the development process; instead it highlights those parts that HAC considers especially critical to an overall comprehension of housing development. This manual should not be used as an organization's only guide to developing affordable housing.

Housing development can mean many different things. It can mean new construction or rehabilitation of existing structures. It can involve development of single-family homes or multifamily housing, rental units or homeownership projects. Yet all types of affordable housing development share the same basic process. Whether a proposed project is simple or complex, failure to understand that process or to successfully complete the requisite development and housing counseling steps can seriously jeopardize project success.

This guide is specifically geared to development of affordable housing in rural areas, since rural housing developers face unique obstacles, such as fewer housing development professionals from which to choose, fewer commercial banks to approach for funding, and limited public water and sewer infrastructure. However, the rural development organization also enjoys certain benefits, including U.S. Department of Agriculture (USDA) Rural Housing Service (RHS) programs that provide funding only to projects in rural areas.¹

Although this manual does not include information on the formation and structure of the development organization itself, readers should be aware that many funding sources have eligibility requirements for the organization. For instance, some programs require that applicants have 501 c(3) status; others ask that a developer have a certain number of community representatives on its board of directors. HAC developed [*A Nonprofit Capacity Self-Assessment Workbook for Rural Community-Based Housing Organizations*](#) as a tool that nonprofit groups can use to examine their structure as an organization.

The potential rural housing developer must understand that although successful affordable housing development is certainly achievable, it requires careful planning and persistence. Moreover, since housing development today is expensive, it must usually be done with borrowed funds. Housing developers must create well-thought-out plans and maintain a solid commitment to accomplishing attainable goals if they expect to secure those funds. Rural housing development is a rewarding activity that changes people and communities for the better. This

¹ RHS is part of the USDA and was established in 1996. The program is housed under USDA Rural Development.

manual encourages you to give it a try.

This manual is based in part on HAC’s comprehensive “technical series” manuals that describe many parts of the housing development process in detail. Appendix B contains a glossary of housing development–related acronyms.

For other technical publications about rural housing development, see HAC’s website at www.ruralhome.org.

TOP FIVE ISSUES IN RURAL HOUSING DEVELOPMENT

Affordable housing development is a broad topic that spans a number of different issues. Below are some of the most common difficulties encountered in rural housing development:

1. lack of organizational capacity
2. difficulty in securing an adequate amount of funding
3. difficulty in achieving economies of scale
4. lack of demand for developed units, in spite of need
5. ensuring long-term sustainability of the developed units

SELF-ASSESSMENT

The first step in any development process should be an internal evaluation of an organization’s mission and resources. Affordable housing development is a complicated process that demands large amounts of staff time, energy, and expertise. A potential developer organization needs to ask itself the following questions:

- Do development activities fit with our organizational mission?
- Should we rely on our own resources or seek out help from a set of professionals?
- How much time and money are we willing and able to invest in exploring our options?
Will all expenses be covered through internal revenue and staff time?
- What additional sources of income could we consider to help offset the costs of the project?
- Will board members or volunteers be able to assist with critical tasks?
- Are there alternative ways to accomplish this goal?
- Are we the most appropriate organization to perform this task?

After a self-assessment process, some groups may find that they simply do not have the resources to pursue housing development, or that housing development does not fit well with their overall mission as an organization. However, many groups will come to the conclusion that housing development is still a goal they want to pursue, and they can then move forward to the

next step in the housing development process.

RESPONDING TO THE NEED

Once an organization has decided to develop or rehabilitate affordable housing, it should conduct a housing needs assessment. A housing needs assessment attempts to identify the condition and availability of housing within a given geographic region and to prioritize high-need areas within that region. It may seem obvious to the developer interested in providing the housing that there is great need in a specific neighborhood. This need may even be a common topic of conversation in the community. Nevertheless, a housing needs assessment is important because it provides the data that justify the development organization's focus on a particular area to those outside the community who may not be familiar with the conditions. Additionally, potential lenders, including public agencies, must have proof of housing need.

Before developing a housing needs assessment, the development organization should contact the lead housing agency in its state. The U.S. Department of Housing and Urban Development (HUD) currently requires jurisdictions² wishing to participate in the HOME Investment Partnerships Program (HOME) to conduct a community needs assessment as part of developing a Consolidated Plan (ConPlan). The state ConPlan should contain local market information on population and housing for all areas within the state. However, since a rural community participates in the HOME program through a state participating jurisdiction, rather than directly, thorough research on the community's housing need may or may not have been conducted.

If the ConPlan does include specific information for the community, the developer may be able to avoid surveying the community again. If the ConPlan does not include detailed information on the community's housing need, the nonprofit developer must either supplement what does exist with additional research or develop and implement a housing needs assessment plan of its own.

The Housing Needs Assessment

A housing needs assessment provides information on households that lack adequate and affordable housing and on their housing problems. It seeks to answer questions such as:

- ◆ How many households have housing problems (substandard conditions, overcrowding, cost burden)?
- ◆ How many households are experiencing, or have experienced, homelessness?
- ◆ How prevalent is each of these problems and which predominates?
- ◆ How do the housing problems of renters and owners differ?
- ◆ What are the characteristics of the households (family type, race/ethnicity, income)?
- ◆ What types of households have the highest rates of housing problems (low-income, minorities, single parents, families, elderly persons, persons with disabilities)?

² The term *jurisdictions* can include states, counties, and consortiums.

- ◆ Who is most at risk of losing their housing and how many of these households are there?
- ◆ How much do households pay for housing and how much can they afford?
- ◆ How many households receive some type of housing assistance and how many others need/qualify for assistance?
- ◆ What kinds of housing assistance are needed?

When a development organization prepares a housing needs assessment, it should be aware of the intended uses for the data and of any requirements these uses demand. In this case, the developer will use the housing needs assessment to identify the condition and availability of housing within a given geographic region and to prioritize high-need areas within that region. Later, this information will be used to support the validity of the project when applications to funders are submitted. Bearing this in mind, the next step is to determine the type of data that will be needed.

Census Bureau Data

The most comprehensive and uniformly collected data on rural communities is generated through the federal Bureau of the Census in the form of the decennial [Census of Population and Housing](#), the annual [American Community Survey \(ACS\)](#), and the biennial [American Housing Survey \(AHS\)](#). Additionally, the Census's [Small Area Income and Poverty Estimates \(SAIPE\)](#) provide annual information on income and poverty by county. These data sources collect basic and useful information on housing and household characteristics. Various forms of Census data are often used to monitor national housing needs and trends. This provides the nonprofit development organization with an important framework for understanding housing need in its target community. In some cases, Census data may even be sufficient to develop a profile of community housing needs, especially using the most current Census information.

ACS data will likely be the most useful tool for rural housing developers, as this dataset includes information on poverty rates as well as on housing age, tenure, vacancies, crowding, and cost burden, among other measures. Data can be analyzed by race, ethnicity, and gender for a more detailed understanding of area need. Though the ACS publishes data annually, developers seeking information about small population areas may need to use ACS three- or five-year estimates to gather assessment information. AHS data, while providing detailed housing information, are unavailable for smaller areas, such as county-level estimates.

Census and AHS data are available to the public online at www.census.gov. Questions about the Census Bureau's products can be answered by the bureau's [State Data Centers \(SDCs\)](#). To find the phone number or address of your SDC, use the Census Bureau's searchable website at <http://www.census.gov/sdc/network.html>.

The [HAC Data Portal](#) also provides easily accessible Census information that rural developers can use to better portray their area's need. Housing developers can use the Data Portal to obtain national-, state-, and county-level data about indicators such as geography, poverty status, and

housing characteristics.

Other Sources of Data

Several other government agencies can be useful in searching for information about poverty and housing need. The [Bureau of Labor Statistics \(BLS\)](#) regularly updates data about unemployment rates throughout the nation, and the USDA's [Economic Research Service \(ERS\)](#) publishes information on county classifications and persistent poverty. Additionally, the [Home Mortgage Disclosure Act \(HMDA\)](#) provides information that developers can use to help determine rates of high-cost lending, and the [Neighborhood Stabilization Program \(NSP\)](#) contains information on foreclosures.

A number of other sources of information can be useful to supplement Census data. These include city or county community development and planning agencies; regional councils of governments; local housing authorities; local offices of HUD and RHS; state community development agencies; and private groups such as Realtors, builders, utility companies, and data service clearinghouses.

Local Housing Surveys

A local housing survey can be used to supplement the information that is available from the Census Bureau and other sources. As noted above, for rural communities in particular, the information the Census generates and makes available for public use can be limited. In the absence of sufficient data collection at the national or state level, a local study can fill in important gaps.

Remember that a local housing survey does not take the place of local data collected uniformly nationwide. Few communities are able to conduct such surveys, and one community's results cannot be compared easily to another's since their survey designs usually differ. It is not necessary to be an expert in survey design and data analysis to carry out a local housing survey, but it is advisable to involve people who can provide that kind of expertise.

Measurements of Housing Need

With most data types, housing needs are represented by three categories of housing problems:

Substandard housing. Inadequate or substandard housing conditions are revealed through data on the number of units without complete plumbing, complete kitchen facilities, adequate heating equipment, or safe water supply or with physical deficiencies (such as water leaks, holes in the walls or floors, and cracked plaster). Information on access to telephone service and age of housing can also be found to determine substandard housing.

Crowding. The number of people per room serves as a measure of crowding. Though the

definition of crowding can vary by data source, according to the Census Bureau, a housing unit is considered crowded when it is occupied by more than one person per room (excluding bathrooms) and severely crowded if occupied by more than 1.5 persons per room.³ Crowding is different from doubling up, a term that pertains to more than one household living in the same housing unit. Both conditions can often mask rural homelessness.

Affordability. Affordability, or cost burden, is defined differently for renters and owners. Affordable rental housing is usually defined as housing with rent and utilities costs that do not exceed 30 percent of the household's pretax income. For homeowners, 20 to 25 percent of income for principal, interest, taxes, and insurance is generally considered affordable, since the homeowner must pay utilities and maintain the property. Households paying more than 50 percent of their income for housing are considered severely cost burdened — an increasingly common occurrence among poverty-level households. Developers should know that not all programs measure affordability the same way. In particular, some may use differing thresholds for very low- and low-income families.

Data on housing conditions and costs can be particularly useful and revealing when combined with household information such as income, race, age, and family composition to answer questions such as: How many poor households live in substandard housing? Are poor minority households disproportionately affected by housing problems? Do female-headed families have greater affordability problems than two-parent families?

In considering affordability, the development organization should take care to evaluate construction costs and assess those costs that will likely be passed on to future households. Energy-efficient building practices, for instance, often invoke higher costs at the outset, but result in later cost savings in reduced energy expenditures, especially for property management organizations.

It is important for developers to note that housing need does not necessarily correlate with housing demand. For instance, a community may show a lack of affordable housing that is best addressed through multifamily housing development. If a developer instead creates several single-family units, demand for these units could be low despite overall housing need. For this reason, developers must document housing need in as specific a manner as possible.

Conceptualizing the Project

Once the development organization has acquired its housing needs assessment data, the next step is to analyze the data to determine where discrepancies exist between housing supply and demand in the community and to describe and measure the extent of that discrepancy. This provides the developer with an understanding of what type of need there is for housing in the target community and is critical to the organization's ability to conceptualize a housing project that will actually meet that need.

³ See http://factfinder.census.gov/jsp/saff/SAFFInfo.jsp?_pageId=tp13_housing_physical.

As the nonprofit organization ponders what type of project would best serve its target community, it should keep a few things in mind. Developers should assess the need for rental housing compared to homeownership units within the target area. Homeownership may be the most frequently considered option, but rental units are a crucial resource for those who may not be able to afford a home. Additionally, developers need to decide whether new construction or rehabilitation is the best approach to improving housing conditions in the target area. They will need to decide whether to build single-family or multifamily units. The developer also has to decide on fundamental design goals such as safety, accessibility, and single-site versus scattered-site housing.

The developer should also remember that many groups, such as large families, single parents, elderly persons, migrant farmworkers, homeless persons, and persons with disabilities, have special housing needs that must be understood and addressed. The developer organization should consider these potential needs and decide how they will be addressed and by whom. Many variations of tenure and development may be explored. For example, one homeownership model used in rural areas is mutual self-help housing, in which the homeowner actually participates in the construction of her/his house and of his/her neighbors' houses.

Even at the conceptualization phase, it is important for developers to consider the potential Not-in-My-Backyard (NIMBY) response from the public, as public opinion can have a large impact on overall project feasibility and success.

Again, the first step a new developer should take is to carefully evaluate its organizational capacity to address the community's housing need. Although the needs assessment helps the organization plan for the long term, it is advisable for new organizations to start with simple development projects. Weatherization, modest repairs, and rehabilitation done with donated materials and volunteers are valuable projects. Build on your experience slowly.

The developer should not forget about the importance of housing counseling and down payment assistance programs as other low-risk affordable housing efforts.

Determining Project Affordability

If the developer has decided to create new housing, either through new construction or through rehabilitation, the next important step in conceptualizing the housing project is to use the information collected in the needs assessment to roughly determine the ultimate buyer/renter cost of the proposed housing. For example, if the population that the housing proposes to serve has a median gross income of \$12,000 per year, then final housing cost per month should not exceed:

$$12,000 \div 12 \times 30\% - \text{resident-paid utilities (excluding telephone)}$$

It is also important to remember that area median income differs based upon the size of one's

family. Since there is virtually no project-based assistance (such as Section 8) available today, developers must find alternative means to ensure housing affordability to very low- and low-income families and individuals. In the case of this example, monthly housing cost should be equal to or less than \$300 minus approximately \$75 for utilities (although the utility estimate varies from area to area).

Performing this calculation early in the development process is important, because it lets the development organization know that it must plan and finance the project to rent or sell at the calculated figure. If the final cost to buyers and renters is higher than 30 percent of their income, then the project is not providing affordable housing for the target group.

Developing a Timeline and a Budget

The development timeline is of vital concern to the housing developer. Delays can unnecessarily raise costs and even abort a project. Although the developer obviously cannot predict every event that will take place in the course of project development, he or she should plan carefully for those events that can be anticipated. Once an organization decides what type of housing will best meet the needs of its community based on information collected during the needs assessment, it should develop a rudimentary timeline for the development process.

A timeline is a simple device used to project planned activities and milestones of the development process and to monitor progress. The timeline should include projected activities and target dates for their completion. In the beginning, the timeline will be broad and subject to change. It can be compared to the first outline of a research paper, which is modified as subsequent research is performed. As new facts are learned, more information collected, and more decisions made, the timeline will become “fleshed out.”

Along with a timeline, developers should create a detailed budget outlining the expected costs of the project and sources or revenue for each budget item. Costs should account for both site acquisition and development expenses. The developer should also remember that housing development can involve many unexpected variables, and as such, they should consider a plan for additional funding in the event of exceeding initial budget projections. The key components of a development budget are: (1) people, (2) money, and (3) time. A risk assessment analysis may also be an important part of this process.

UNDERSTANDING THE BASICS

Affordable housing development is complicated. A simple chronology of discrete steps does not adequately describe it, since several of the most important parts of the process do not take place at specific points in time but rather require constant consideration. Once the organization has developed an understanding of its target community’s housing need and formulated a suitable project concept, it should review those elements of the housing development process that need to

be taken into consideration throughout project development. Those parts are examined in this section to set them apart from the rest of the housing development process.

The Local Community

Garnering Local Support

Local community support is crucial to the success of an affordable housing development effort. Unfortunately, barriers often occur in the development of affordable, subsidized housing opportunities for lower-income households despite civil rights and fair housing legislation and the best efforts of local nonprofits to reassure the community residents. One of the most effective ways to combat potential or existing opposition (the NIMBY syndrome) to the project is to undertake a public education campaign.

Public education about a proposed project and future neighbors can help lessen a community's fears. Public education can also be used to convince potential opponents of the unlikelihood of winning a NIMBY battle. If neighbors understand the illegality of exclusionary zoning and land use practices they may be less likely to advocate for them. Community outreach activities conducted by the developer may also result in support of a development proposal by those who would otherwise not be inclined to become involved.

If a developer expects opposition toward a project, he or she should try to build support before announcing the proposal to the general public. Church congregations, staff members of local charitable organizations, and social service employees are often sympathetic to the efforts of a housing development organization. Their assistance should be enlisted to educate the community about the nature of a proposed project.

In addition to influencing public opinion, the developer must reach key decision-makers. The developer should work to establish a relationship with public works, planning, and other government members.

Understanding Local Policies and Regulations

The developer is expected to gain an understanding of a wide variety of state and federal laws and regulations, including the Fair Housing Act, the American Disabilities Act, and environmental laws, to name just a few, and s/he should not fail to take local policies and regulations into consideration as well. In addition to making local planning officials more amenable to the project, it is important to consult with the local planning commission in order to fully understand local housing and tax policies. The development organization needs to be aware of all existing codes and regulations, especially local, that could impact the development process. Often, codes are dictated by state agency funding sources. The organization should not rely solely on other entities, such as contractors or architects, to know all of this information, as some regulations may have been recently changed. Following are three examples of local government

policies that can affect affordability and, therefore, affect feasibility.

Property Tax Policies. Real estate tax policies enacted by local governments to encourage the development of affordable housing can assist the nonprofit developer in creating a feasible project. Some jurisdictions will grant full or partial property tax waivers to developers of affordable housing. Jurisdictions may also grant property tax abatement or payments in lieu of taxes.

Density Bonuses. Some communities will grant density bonuses for the construction of affordable housing. A density bonus increases the land density allowed by law and therefore allows for more economic utilization of land.

Impact Fees. Many municipalities and county governments now assess heavy impact fees on development as a way to increase revenue and defray the increased costs of local services that accrue from housing and economic development. School, road, water, and sewer hookup or tap fees and fire service fees are some of the most common impact fees.

The local planning office can also help provide the nonprofit developer with an understanding of local legal and regulatory requirements. It is important to be aware of these since they control the density and uses of all real estate in a community as well as the quality of the construction materials, the plumbing and electrical specifications, and health and safety requirements that will be imposed on new construction or rehabilitation projects. They also dictate the legal process that must be undertaken to change existing zoning classifications, density, or uses. Additionally, they regulate the specifications for engineering and installation of street, sidewalk, curb, and gutter improvements; grading; sediment control and storm water management; bonding requirements; the process for subdivision plat approval; and inspections. Brief descriptions of the impacts of several types of legal or regulatory constraints follow.

Zoning Laws. Zoning controls the character and use of land and buildings. It also controls the size of lots, types of structures allowed, building heights, setback requirements, open space requirements, and density of developments. Familiarity with zoning density and use restrictions is imperative for any developer, no matter what the proposed project, since what can be done with a site or building is constrained by the zoning classification it carries. Rural real estate developers and individual landowners spend a large part of their time wrestling with local regulatory laws to have a site's zoning use classification changed, for example, from agricultural to housing, commercial, or industrial use or to cluster/multiple-use zoning (discussed below). Local zoning codes or ordinances control the density of site development — the number of permitted units — in two ways. First, they may restrict the average number of houses per acre by establishing a minimum lot area. Second, they may restrict the average maximum number of houses or units that can be built per acre.

An exception to current zoning law is called a variance. Variances are applied for by the developer and typically require the applicant to undergo a public hearing process. Similarly, a

zoning change also requires any number of public hearings. The public hearing process is often the most arduous and trying part of housing development for those proposing to build housing affordable to very low- and low-income households. These proposals can result in acrimonious public hearings and, sometimes, lawsuits by the opposition to stop the proposed development.

Building Codes. Familiarity with the requirements of local building codes is imperative, whether the developer is planning to construct new units or repair or rehabilitate existing units. Building codes set forth the construction standards that must be met when repairing or constructing buildings, such as standards for the kind, strength, and quality of materials; plumbing equipment and installation requirements; electrical wiring specifications; fire and safety standards; and so on. Local governments require a building permit allowing new construction or the alteration or repair of an existing building as a mechanism to ensure that proposed construction work meets the requirements of the building code. Plans and specifications must be submitted to the local building department for review and approval prior to the issuance of a building permit. Development groups should be aware that many jurisdictions and states are adopting new energy standards and codes; it is important to be aware of, and understand, these standards.

Deed Restrictions. Legal restrictions imposed on an individual site can effectively hinder the development of a site, require waivers or special agreements, or tie up closing for a long time in dispute resolution.

Subdivision Ordinances. Local governments retain oversight, control over, and regulation of the actual development, even when a parcel of land is properly zoned for the type of construction and the density planned. This is accomplished through subdivision ordinances and land development regulations, which spell out:

- ◆ the required documentation for subdivision submission requests;
- ◆ the plat approval process;
- ◆ the specifications for the engineering and construction work;
- ◆ the requirements for grading, sediment control, and storm water runoff;
- ◆ the identification of and manner for addressing any wetlands in the area; and
- ◆ any restrictive covenants pertaining to the land.

Subdivision approval is a time-consuming process. Typically the owner of the land initiates and controls the subdivision submission and approval process. If possible, a potential purchaser should make the seller responsible for obtaining the appropriate approvals as a condition of sale.

For specific information on the local legal and regulatory requirements and local housing and tax policies in your community, consult your local (county, city, or town) planning office.

Financing

A housing development project must provide decent shelter at an affordable cost to very low-

and low-income households or the goals of most nonprofit housing development organizations have not been met. Thus, a solid grasp of the financing (or funding) process is exceedingly important for any housing developer.

Financing Types

The first type of financing that a developer may be responsible for securing, *predevelopment financing*, refers to a loan(s) or grant(s) used to pay for expenses incurred prior to the actual construction/rehabilitation of the housing. Examples of such costs include land options; site acquisition and development; and engineering, architectural, and legal fees. These are items that must be paid for before permanent financing is available. If predevelopment financing comes from a loan, the lender will usually require that predevelopment expenditures be recoverable from the ultimate financing of the project. In other words, a predevelopment loan usually must be repaid upon the development organization's receipt of its construction financing.

A second type of financing that is commonly used in the development of many affordable housing projects is *construction financing*. As its name suggests, this type of funding is used to pay for costs incurred after the predevelopment stage but before permanent financing is received. This loan, which is used to actually construct the project, is usually repaid from permanent financing.

Some projects may also utilize a *bridge loan*. This is a loan of limited duration (one to ten years) that is used to "bridge" a gap in funding before permanent financing is received. A bridge loan is sometimes called by different name, such as an "interim loan."

Permanent financing refers to the final source of funding for the project. Permanent financing usually comes in the form of a mortgage that places a lien on the development until the loan is repaid. The length of the mortgage is usually 30 years, but can be longer depending on the program. Because housing that is developed for very low- and low-income households usually requires special interest rates and public subsidies of some sort, permanent financing is often obtained through federal financing programs.

Additional subsidy, often in the form of Section 8, housing vouchers, or rental assistance payments, is frequently needed to make housing affordable to low-income people. Even modest rental housing is expensive in today's market, and is too costly for many middle-income people, so additional help is crucial for the poor. Similarly, homebuyers may need down payment assistance, mortgage subsidies, or reduced interest rates to achieve affordability. For more information on rural affordable rental housing, see HAC's fact sheet [USDA Rural Rental Housing Loans \(Section 515\)](#).

Financing Sources

Since the demand for subsidized funding in affordable housing is extremely competitive and the

dollars available are dwindling, knowledge about the various sources of low-interest financing and grant funds, including what they can be used for and how deep their direct or indirect subsidies can be, is vital to determining whether a proposed new construction or rehabilitation project will work. Once the development organization has formulated a basic project concept, it should begin to conduct research to identify housing and community development programs that may be suitable for the financing of the proposed housing units.

RHS administers a number of affordable housing development programs for rural communities. HUD also operates several important housing development programs. In addition to federal financing programs, other sources of funds include state housing finance agencies, the Federal Home Loan Bank System's Affordable Housing Program (AHP), trust funds, charitable foundations, religious groups or orders, nonprofit lenders (like HAC), and local community development lenders, some of which are set up by banks to help meet their Community Reinvestment Act (CRA) obligations. In addition, the Low-Income Housing Tax Credit (LIHTC) program encourages private investors to participate in the financing of affordable rental housing projects.

In recent years, virtually all affordable housing projects have some funding from commercial lenders. Local commercial lenders should be one of the first places the developer goes to seek financing for his or her project. All rural housing developers should be informed about the CRA and how it can benefit them by helping to get project financing from private lenders (banks or savings and loans) instead of, or in addition to, government sources. Basically, CRA requires federally insured financial institutions to help meet the credit needs of their *entire* communities, including low- and moderate-income neighborhoods, consistent with safe and sound operation; it provides a tool for community organizations to assess their local lender's involvement in community development activity; and it helps to create a financial climate in which a commercial lender's willingness to make loans for creditable rural housing projects is enhanced. CRA applies to banks and savings and loan institutions with federal deposit insurance. It does not apply to credit unions, mortgage banks, or state-chartered institutions without federal deposit insurance. And, because CRA was enacted originally to prevent financial institutions' avoidance of extending credit to certain parts of their service areas, it does not mean that an institution must ensure that all credit needs of its community are actually met. As it undertakes its search for project financing, a development organization should possess an understanding of how CRA can assist in that search.

The following is a list of potential funding sources for housing development.⁴

- LIHTC
- HUD programs
 - HOME
 - Community Development Block Grant (CDBG)

⁴This list is not exhaustive, and developers should search for other programs matching their projects' scopes. Additionally, while many of the sources listed may come from federal funding, development organizations receive funding through applications to local government entities.

- Section 202
- Section 811
- Self-Help Homeownership Opportunity Program (SHOP)
- USDA — Rural Development
 - Section 515
 - Section 538
 - Section 514
 - Section 523
- Federal Home Loan Bank (FHLB) AHP
- State Financing Agencies
 - Housing trust funds
 - Mortgage revenue bonds
 - State tax credits
- Private Lenders
 - HAC
 - Other Community Development Financial Institutions (CDFIs)
 - Banks and consortiums of banks

Lender Requirements and Ongoing Communication

As soon as the housing developer organization has identified several programs that appear suitable for the financing of the proposed project, it should contact a representative from each of the programs to learn what specific requirements each lender has. Some lenders, like RHS, impose extensive requirements regarding location, amenities, utilities, cost, site development, and so on, which must be met to receive approval of a housing development application for financing.

Additionally, many state housing financing agencies now have energy efficiency requirements that developers much follow, such as Home Energy Rating System (HERS) evaluation. Other financing bodies impose less stringent requirements. As the development process proceeds and the development organization searches for a suitable project site and conducts a market survey, it will be able to make a decision about which financing source(s) are most appropriate to apply for. Familiarity with potential lenders' requirements is crucial to making this decision wisely and to successful project development. Ongoing communication with the lender at every step of the development process is also critical to ultimate project success, since lender input will mean that the project application is more favorably reviewed. These days, much of this communication can be conducted online.

Developers must also ensure that their lenders understand their security position. Private lenders frequently expect first position, while nonprofit and public lenders will often subordinate to them. All parties should be clearly informed of their position before the project moves forward.

For more information on the CRA, see HAC's manual [*A Guide to the Community Reinvestment*](#)

[Act for Housing in Rural America.](#)

Feasibility Analyses

At each major junction in the housing development process, including (but not limited to) after the project concept has been developed, during the search for a site, and after construction and engineering drawings have been drafted, the development organization should perform a series of analyses to examine overall project feasibility. In some cases, the purpose of the analysis is to prove to the housing developer itself or to a potential lender that the project is feasible. In others, the analysis is meant to help the developer make an important decision.

A feasibility analysis, also known as “due diligence,” takes into account every piece of information available about the project and usually includes a set of preliminary calculations of the project’s total development cost. Feasibility analyses are critical to ensuring both that no decision has been made that will jeopardize the success of the project and that the developer understands the choices and costs the future holds. A detailed examination of the feasibility analysis as it applies to the site search is provided later in this manual. In performing a rental feasibility analysis, the developer should seek to include the future property management agency as often as possible, to ensure that the units are designed for long-term success.

THE DEVELOPMENT TEAM

In more complex projects, such as rental projects or large subdivision developments, the housing development process is carried out by the “development team.” Development staff members may be able to comprise a full team, provided that they possess all of the requisite experience and technical expertise. If the organization’s staff members lack specialized technical skills, however, contractual arrangements should be made with consultants who have significant experience with a particular aspect of the development process. The purpose of this section is to introduce individual members of the development team and to emphasize the importance of having team members with expertise and experience in the housing development process. It is important to establish and maintain clear communication between members of the development team throughout the entire process.

Development Consultant

If the developer organization is fairly new or without a history of developing affordable housing, the services of a development consultant may be needed. If this is the case, the development consultant should be secured before any other member of the development team is hired. This consultant’s primary function is to provide the necessary guidance and counseling to the development organization to ensure that the housing project is successful. The consultant is responsible for working closely with the development organization in each phase of the development process. S/he must assist in selecting the development team members to be hired,

assessing the economic feasibility of the project — land acquisition, zoning, appraisals, construction, and so on — and preparing applications for funding. Some federal financing programs, such as the HUD Section 202 program and the RHS Section 515 program, allow consultant fees to be included in the project budget.

Attorney

During the development process, the services of an attorney are usually needed to ensure that actions taken and documents prepared relative to the financing and development of the housing project have been handled in a legally sufficient manner. Securing the services of a local attorney with a background in real estate and general land transactions is important. An attorney can provide legal guidance when negotiating a land sales option or purchase contracts and can review and, when necessary, interpret financing documents and loan commitment conditions.

Architect

An architect is needed to design the building(s), prepare plans and specifications (preliminary to final drawings), and supervise the building process. Normally, the architect is also responsible for ensuring that the construction is carried out in accordance with approved plans and specifications and that codes and other legal requirements are met. The development organization should select an architect with experience with whatever requirements are imposed by project funding sources, local building codes, and so on, so that financing limitations, fee limits, payment schedules, and related compensation requirements are understood. An architect can also assist in determining the feasibility of rehabilitation projects, since it is sometimes more economical to start with new construction than to attempt reconstruction or rehabilitation. If a site has not been purchased at the time the architect is contracted or hired, involving the architect in a review of the prospective site is wise.

Engineers

Both construction and environmental engineering services are needed during development. Subdivisions and in-fill homeownership projects require engineering to locate and size utilities, lay out streets and building lots, perform surveys, and set boundaries. Requirements such as mechanical, structural, and/or soil testing should be handled by the construction engineer. Determining the environmental hazards of a site based on its historical use, testing for contaminants, and ensuring that wildlife in the area is protected are all areas covered by the environmental engineer. Engineers should also understand all relevant environmental review requirements and coordinate with various agencies to minimize the cost and time necessary to follow these requirements.

General Contractor

The general contractor is responsible for the construction of the project. One of the general contractor's most important functions is to monitor construction to ensure that it is completed within budget. The general contractor is also responsible for hiring work crews and subcontractors for tasks that s/he is unable to render. The general contractor's history should be reviewed to make certain that the company has a good reputation for working within time and budget limits and has experience working with federal or state housing programs. The general contractor must be able to work closely with the architect and other members of the development team. It is always advisable for the general contractor to acquire a 100 percent payment, performance, and completion bond, which is a form of insurance that guarantees the performance of the contractor. The cost of acquiring a bond can be prohibitive, since that cost is passed from the general contractor to the development organization and, therefore, to the cost of the project. The general contractor should bring several subcontractors into the project.

Property Management Agent

If the housing project being developed will be rental units and if the development organization plans to own and manage the completed project itself, then it will need someone with the skills of a property management agent. The management agent is responsible for the day-to-day operation and upkeep of the completed housing project. S/he must also select tenants to rent the units; collect the rents; provide social services; maintain an open line of communication with the residents; arrange for security; secure personnel for maintenance; and prepare reports for the development on budget, income, and expenses to meet permanent financing requirements. Rental agents must also ensure that tenant incomes meet the requirements of the financing and subsidy sources. Financing sources frequently require an experienced commercial rental manager, but nonprofit groups often acquire the requisite skills and certification to become managers of their own projects. Property managers need to be aware of compliance requirements of any relevant programs, such as through LIHTC, HOME, CDBG, and the AHP.

Codeveloper

A codeveloper from a different nonprofit or for-profit organization can be a crucial resource for any development project. The codeveloper can complement skills and experiences that the development organization already has, and therefore allow for increased project stability.

Real Estate Agent

Depending on the project, the developers may want to consider including a real estate agent as part of the project team. The real estate agent can make assessments about end marketability and help translate the housing need into housing demand at project closure.

THE SITE

Site selection is an area in which housing developers, even those with considerable skill and experience, frequently find that their early enthusiasm comes to grief when unforeseen problems emerge. The most important part of a site search is the developer's calculation of total development cost for each site to determine what site cost the development will support. However, the search for suitable housing sites is one that starts early and may be continuous throughout the life of the nonprofit housing developer.

By the time the nonprofit developer is ready to acquire a suitable project site and actually set the development process in motion, it should have:

- ◆ acquired a strong understanding of the entire development process;
- ◆ identified a market to serve;
- ◆ conceptualized its proposed project;
- ◆ established a development timeline;
- ◆ identified possible sources of financing and subsidies;
- ◆ become familiar with potential lender/grantor requirements;
- ◆ become familiar with local zoning and building codes, subdivision ordinances, and land development regulations;
- ◆ become familiar with federal and state environmental laws and land use policies;
- ◆ collected cost information on labor, materials, raw land or existing buildings, professional fees, permits, and so on;
- ◆ identified development team members; and
- ◆ developed several preliminary cost estimates on hypothetical projects.

This section will explain how to proceed, after all of these tasks have been accomplished, to investigate potential project sites.

Site Search

The first step in a land search is to learn about all available sites in the market area that hold serious development potential. The best method of accomplishing this is by enlisting the assistance of as many local people as possible. Friendly local officials, housing authority staff, church groups, civic organizations, labor unions, employers, bankers, architects, engineers, real estate attorneys, civil rights groups — talk to as many people as possible and you will learn about numerous potential sites that would have been difficult to uncover otherwise.

Other important sources of information about real estate available for sale include the following.

- ◆ real estate agents
- ◆ local advertisements

- ◆ “windshield survey”⁵
- ◆ distress sales
- ◆ delinquent tax notices
- ◆ sale of federal government property
- ◆ local government agency donations
- ◆ charitable and corporate donations

Once a list of potential sites has been compiled, one of the most efficient methods of evaluating those sites is the use of a land inventory record. The land inventory record is simply a written inventory of sites that are available in the market area and hold serious development potential. The information is generally kept in computer records.

Information that should be included for each site in the land inventory record includes the name of the property’s owner; evidence of value (ideally a current appraisal); the local government’s real property tax assessment; current zoning density and use; availability of utilities; parcel size; topography; access; description of improvements, if any; lot and square number or the tax assessor’s number; legal description; physical description; location by street or route coordinates; uses of adjacent properties; sale price; and a copy of a real estate listing, if available. Drawings of the configuration of the sites, containing enough detail to highlight both their advantages and disadvantages, and eye-level or aerial photographs are also helpful to have on hand.

Attention to detail is extremely important when compiling a land inventory record. The researcher must assume nothing and double-check everything, because overlooking even a small legal technicality can end up meaning the difference between profit or loss and the creation or collapse of a feasible development scheme.

Once the information for all potential sites has been entered into a land inventory record, it should be compiled into a “land value comparison chart.” This chart can take the form of a computer spreadsheet or a handwritten table, but it should include all significant attributes of all sites so the sites can be compared with one another. The land value comparison chart allows the developer to narrow the list of potential sites.

Initial Site Feasibility Analysis

Once a short list of possible sites has been developed, the development organization should perform a feasibility analysis on each potential parcel. The site feasibility analysis process is described briefly below.

Physical Characteristics of the Site

Important physical characteristics of each site that must be evaluated in light of the proposed

⁵ An informal community assessment performed through visual observation while driving through an area.

housing development include:

- ◆ location;
- ◆ utilities;
- ◆ size/shape;
- ◆ frontage;
- ◆ access;
- ◆ topography;
- ◆ natural drainage features;
- ◆ soil characteristics; and
- ◆ vegetation/endangered species.

Assessment of Site from Perspective of Protection of the Natural Environment and Absence of Toxic Substances

In light of federal and state environmental protection laws, the housing developer should assess each site to determine the potential negative effect that housing development would have on the natural environment and the potential effects of contamination caused by development of the housing. Nationally protected or state-protected environmentally significant natural features, the presence of which on a potential site could signal a barrier to development on a particular site, include (but are not limited to):

- ◆ wetlands;
- ◆ floodplains;
- ◆ historic or archaeological sites;
- ◆ prime rangelands;
- ◆ coastal zone management areas; and
- ◆ wild and scenic rivers.

In addition, in order to avoid the expense and liability to the development organization for cleanup of toxic wastes or hazardous substances, every site should be examined for the presence of potentially harmful toxic substances, including (but not limited to):

- ◆ asbestos;
- ◆ petroleum hydrocarbons;
- ◆ pesticides;
- ◆ hazardous waste;
- ◆ underground storage tanks;
- ◆ radon;
- ◆ electromagnetic fields; and
- ◆ heavy metals.

The best resource available to help nonprofit developers gather information about the physical

and environmental properties of a particular site is the research and information collected by public agencies. This information is available to the general public, often at a nominal charge or free, from the following agencies.

- ◆ U.S. Geological Survey
- ◆ U.S. Army Corps of Engineers
- ◆ USDA Soil Conservation Service
- ◆ USDA Fish and Wildlife Service
- ◆ USDA Rural Development
- ◆ Federal Emergency Management Agency
- ◆ State Historic Preservation Office
- ◆ State Environmental Protection Agency
- ◆ State Department of Natural Resources
- ◆ State Highway Department
- ◆ town, county, or regional planning, permitting, and taxation agencies

As complementary to the environmental assessment developers may wish to include a history of past uses of the site.

Potential NIMBY and Local Regulations

In addition to assessing the physical characteristics of each site, the housing developer should assess each site's potential to generate opposition from neighbors, and this factor should be taken into serious consideration when making a final site choice. Developers must also bear in mind those local regulatory and legal constraints that could affect the feasibility of each site. (The importance of understanding local regulations was covered earlier in of this manual.)

Financial Feasibility

Finally, the development organization should determine the financial feasibility of each site. A set of preliminary calculations of total development cost for each site, called a pro forma, should be developed. The pro forma clearly projects the total cost over time to develop each site, including the cost of borrowed money from project beginning to rent up or sale. Some information included in the pro forma will need to be estimated, but the developer should make these estimates on an informed basis. Types of information that should be used to complete the pro forma include:

- ◆ information uncovered by the developer during the site feasibility analyses up to this point that would affect development cost;
- ◆ the current estimated market value of each parcel under consideration based on an appraisal;
- ◆ local government tax policies, density bonuses, and impact fees, and the cost of building permits, payment and performance bonds, and insurance;

- ◆ engineering costs;
- ◆ legal costs;
- ◆ site development costs;
- ◆ professional fees;
- ◆ financing fees, interim financing interest charges, and real estate taxes; and
- ◆ any potential project savings through financial assistance programs or lenders (i.e., energy efficiency programs or discounted rates).

Gaining Control of the Site

After initial site feasibility studies have been conducted and a decision about which site has the most reasonable potential for development for the proposed project, it is time to negotiate for control of a site. Your real estate professional or attorney can advise you on how this is done specifically in your state. However, there are essentially two ways to effectively gain control of a site — through a site option and through a contingent purchase contract. Each of these legal contracts has particular characteristics that are suited to different needs of the buyer or seller.

Option to Purchase

An option is a written contract between a seller, who holds open an offer to sell property for a certain price for a stated period of time, and a purchaser. Most nonprofit and for-profit developers use an option to prevent the sale of a property to another party while extensive feasibility studies about the physical, environmental, legal and regulatory, socioeconomic/political, and financial aspects of the site and its development potential are undertaken. The option typically gives the optionor a longer time to collect important information at less cost than a contract to purchase and the flexibility to purchase or not purchase at the stated option price if costly problems are discovered or if the project ultimately is not feasible for any reason. No reasons are required to be given if the optionor decides not to exercise an option.

Purchase Contract

A purchase contract is a written agreement between a buyer and seller in which the buyer agrees to purchase the property within a specific period of time, for a specified price, again with the payment of consideration. It is a binding contract from which the buyer can be released only if certain contingencies specified in the contract cannot be met. The seller usually requires a substantial amount of consideration, called an earnest money deposit, to enter into the contract. This is a good faith deposit that holds the buyer to completing the sale. Refund of the earnest money deposit is tied solely to the inability of the buyer or seller to comply with the specified contingencies in the contract, such as clear title or necessary zoning changes.

It is always wise to seek the advice of an attorney prior to signing any agreement, so that your interests can be protected. In real estate matters, it is essential that this advice be obtained from

an attorney who practices real estate law. A nonprofit would benefit from the presence of a real estate attorney on its board of directors.

Developers should note that the site evaluation and acquisition process can be drastically different within Native American reservations, since land rights and land administration rules often do not follow the same guidelines as for non–Native American sites.

ARCHITECTURAL AND ENGINEERING DRAWINGS

After an architect has been selected (see the section of this manual on “The Development Team”), s/he will complete architectural plans and specifications (frequently referred to as “plans and specs”) for the housing. In many jurisdictions, plans and specifications are required to include minimum energy efficiency components. Likewise, at this point in the housing development process, the engineers that have been contracted or hired will present the development organization with engineering plans. The architect and engineer are usually paid a modest fee from predevelopment financing.

The preliminary drawings and studies are used to prove the project’s feasibility to potential funders and others involved in the development process. Once feasibility has been determined and financing commitments are better assured, there is justification for the completion of working and final drawings and specifications. These will in turn be the basis for final approvals, for construction bids, and for the actual construction process.

It is important to have preliminary architectural and engineering drawings prepared prior to conducting the market study. By this point in the process, the developer has estimated the housing’s ultimate cost per month, basing that estimate on the median income of the target population (see the section on “Determining Project Affordability”). Before embarking on a market study to show that there is demand for housing at that price, the developer must demonstrate, using preliminary architectural and engineering drawings, that it is feasible to develop housing that will rent or sell at the desired price. The market study is often unnecessary for small, moderate rehabilitation projects where a work write-up will suffice instead. Market studies may be required for sustainable rehabilitation activities, however.

THE MARKET STUDY

The development organization’s needs assessment provided information about the state, availability, and accessibility of housing in a broad geographic area and was used to prioritize high-need areas. A market study, on the other hand, is aimed at proving the need and demand for a specific type of housing for a specific group or market and at demonstrating that eligible households in the target area are interested in and capable of leasing or buying a home when the project is complete. The emphasis is on demand rather than need for the proposed housing. A

lender's worst nightmare is to invest in a housing project that will not rent up or sell. Thus, any lender or public agency will demand evidence that there is a solid "market" ready, willing, and able to rent or buy the housing to be developed before agreeing to finance the project.

Generally, the market study data is assembled by a market analyst or a firm that has significant previous experience in providing market studies. This organization often has a staff with demographic and housing experience. Some lenders will require that the organization proposing to perform the study satisfy them as to their qualifications and experience. In some cases, the state finance agency may require that they themselves order and own the market study, while the development organization will have access to the information.

The market study should define the market area — the community where the project is going to be located and those outlying rural areas that will be impacted by the project, excluding all established communities — and the criteria for the market area's selection.

The market study should include an economic profile of the market area, including labor force and employment trends at the county level. This economic profile section should also list the number of persons employed, the major employers within the market area, the product or service offered by each employer, the number of persons employed by each employer, salary range of employees at each employer, location of each employer, and the year each employer was established. Competition to the potential housing development should be considered in the market study as well.

The market study should contain a demographic characteristics section as well. The analyst will need to show population in the market area for the last two Census years, a population estimate for the current year, and a population projection for the year the proposed housing is to be completed. These data reveal what portion of housing demand is being created by an increase in numbers of new households. This section should also contain information on households by tenure, providing information on the households that would comprise the target group of the proposed housing project. Information on households by income group must also be included here. This information will help determine how many households in the market area are capable of paying the rent plus utilities, or the purchase price, of the proposed project.

A section on housing supply characteristics must also be included in the market study. It should examine rent levels, number of bedrooms, type of project, age, vacancy rate, location, and amenities available. This enables the developer to judge how many of the existing units (1) would be competitive with the proposed project in overall appeal; (2) are less than desirable because of age or upkeep; (3) are inconveniently located; and (4) do not provide the appropriate bedroom mix for the community need, among other things.

The market study requires the analyst to determine exactly where the proposed project will fit into the present housing stock. It should include information on the rent structure of the proposed project to demonstrate market feasibility. A new project should not be in competition with

comparable existing projects with vacant units. The study should demonstrate how the number of bedroom units needed was determined. The market study must contain a full description of the proposed site for the project, its position in the community, and its location with respect to residential support services.

Finally, the analyst must also present a projection of the housing needs for a specified forecast period. To assist in determining this information, the analyst should check local housing waiting lists from housing authorities and other affordable housing developments.

Developers should make sure that the market study research firm has experience in rural markets, as rural studies often require different knowledge and research methods.

SITE ACQUISITION, SITE DEVELOPMENT, CONSTRUCTION, AND POST-OCCUPANCY FOLLOW-UP

Each development organization needs to know its role in the overall housing development process. An organization may be involved as developer, owner, and/or sponsor of the units, with each role creating a different impact in the long-term improvement and management of the housing development.

Ideally, the housing developer purchases the site and begins site development once permanent financing for the housing project has been approved, and once the organization holds free and clear title to the land. Once site development is complete, the developer, in conjunction with the general contractor, must devise and implement a construction management plan, development budgets, and operating pro formas.

The broad goals of the construction process are to complete the project on time and within budget. Delays and cost overruns can have disastrous outcomes. Although nonprofit housing groups often serve as their own contractors, this should be attempted with caution, and, generally, only on smaller jobs within the proven capacity of the nonprofit.

The potential for problems in construction should be carefully assessed and the risks evaluated. Downside contingency planning is advised. Delays due to weather or accidents, subcontractor failure, financing, increases in the cost of construction financing, or increased administrative and staff costs may reduce developer's fees, endanger tax credit syndication and grant or subsidy funds, and subject the developer to legal action and liability. In extreme cases, overruns may result in the financial distress or failure of the contractor, the developer, or even a financing source. A common disaster scenario involves a contractor who, facing an apparently unprofitable project completion, simply defaults on the contract. The developer is faced with completion of the work with a replacement contractor, invariably a costly substitution.

The payment of contractors and subcontractors is an important part of the construction contract

that must provide for draws of the construction loan upon the completion of specified work. Completion of work is verified by a periodic, often monthly, construction inspection by representatives of the lender, the developer, and the supervising architect. Differences regarding the quality of the construction, the amount of work in place and materials on the site, and all other aspects of the construction should be settled at this time.

An important device to keep work moving and safeguard against contractor default is the practice of retaining a portion of the amount owed the contractor, based upon the amount of work in place. Generally, the amount retained is higher when the contractor is not bonded and is not financially strong.

What qualities are needed in a general contractor? Demonstrated capacity to perform and financial strength and stability are two key characteristics. An established reputation and association with a group of qualified and reliable subcontractors are likewise important. A contractor who is well regarded by local building officials, financing sources, and subcontractors, and who has a documented record of quality work that can be verified, is one to be seriously considered.

Does your project require a bonded contractor? This requirement alone may raise the cost and eliminate many potential contractors. If the contractor's performance is not guaranteed by a performance bond the developer must be doubly cautious in ensuring that the contractor performs in an adequate manner. Having a bonded contractor may be required by lenders, investors, and funders.

Ensuring that your contractor is adequately capitalized, licensed, insured, covered by workers' compensation, and has adequate business systems to deal with subcontractors and financing sources are all parts of the nonprofit developer's "due diligence." In this process, the developer should resolve any issues of subcontractors filing mechanics liens.

Coordination of contractor, financing sources, inspecting architect, building inspectors, and other parties to the construction process is a vital function and a clear plan should be laid out in advance and followed carefully.

Larger projects may require a construction manager to be present on-site and to represent the developer and construction lender. Though this is an additional expense, a well-qualified construction manager may prevent mistakes by the contractor, change orders, tear out and rebuilding, and ultimately cost overruns. Whether or not the project has a professional construction manager, the developer is responsible for monitoring and managing the construction process.

During the development process, and during construction, the developer must plan and coordinate the marketing, sales, or leasing of the housing being developed. As in other aspects of the development process, the efficient completion of these tasks will be greatly enhanced by

Careful advance planning and an orderly process of advertising, interviews, borrower qualification, and cultivation of relationships with real estate professionals and lenders. In particular, architects are expected to review and approve draw requests for independent verification. Some states may hire a third-party firm to monitor a project's process and to review and approve contractor draw requests.

Finally, rental property must be managed, usually by professional managers. The long-term success of the project is strongly dependent on the continuity and care with which these functions are performed. Even in a sales project, periodic contact with the buyers and provision of prompt counseling and other assistance should problems arise are a key to the preservation of quality housing and to the welfare of residents, whether they be renters or owners. The expectations that nonprofit developers seeking to assist lower-income families and individuals with special problems provide for their housing needs make post-occupancy contact and assistance even more important.

Though no brief manual can cover all the contingencies that emerge in a complicated process such as housing development, hopefully this overview provides an introduction that will assist nonprofit developers in getting started in mastering the elements of this process that is so important to the customers of nonprofit housing providers.

MARKETING

Even before the property units have been created, the development organization needs to remember that the marketing of the units is crucial to ultimate success. Though the need for affordable housing units was established before the housing units were built, this does not necessarily mean that the families will automatically seek to move into the housing.

Several barriers can interfere with achieving full occupancy of newly developed units. For instance:

- ◆ potential residents may be unaware of the existence of the housing development or that the units will be offered at an affordable price;
- ◆ potential residents may be unaware of the process for applying to live in the affordable units; and
- ◆ the development may offer desirable features that potential residents do not know about.

Developers should seek to distribute information about current or future housing availability through local means of distribution, such as real estate listings, newspapers, flyers, presentations, and word of mouth. Application requirements should be presented in an easily understood manner. Those responsible for marketing also need to have a plan for creating waiting lists and ensuring that marketing strategies follow fair housing practices. Other needs to consider are credit counseling and homeownership counseling.

COMPLETION AND PROJECT CLOSEOUT

Reaching the final stages of the development process is a rewarding experience for any new developer. Organizations need to remember to ensure that occupancy permits are granted, construction loans are paid off, permanent loans are closed, and utilities are connected. After these and the various other marketing and purchase tasks are carried out, families can begin moving into the developed units. Keeping in contact with these individuals and tracking increased housing affordability within the community will allow developers to build their reputation and make it easier to do more of such work in the future.

APPENDIX A

HAC PUBLICATIONS

See the HAC website (www.ruralhome.org) to access these resources online.

[Rural Housing Data Portal](#): The Data Portal can be used to assist developers in their household assessment.

[Rural Voices Magazine](#): Each issue of *Rural Voices* magazine highlights a different aspect of rural housing development. Developers can search the HAC website for issues that are relevant to their work.

Fact Sheets:

- [Affordable Green Building in Rural Communities](#)
- [Environmental Concerns in Choosing a Site for Rural Housing Development](#)
- [The Effects of Housing Development on a Rural Community's Economy](#)
- [The Low-Income Housing Tax Credit for Nonprofits Developing Rural Rental Housing](#)
- [USDA Housing Programs](#)
- [HUD Housing Programs](#)

Publications:

- [A Guide to Best Practices in Rural Rental Preservation](#)
- [A Rural Land Acquisition and Pre-Development Guide](#)
- [Affordable Green Building in Rural Communities](#)
- [Building Affordable Energy Star® Qualified Homes](#)
- [Environmental Concerns in Choosing a Site for Rural Housing](#)
- [Fair Housing, the Zoning Process, and Land Use Politics](#)
- [Lost in the Translation: Smart Growth, Local Planning, and Rural Affordable Housing](#)
- ["Should We Do It Ourselves or Hire Someone Else?" A Rural Property Management Planning Guide](#)

APPENDIX B

GLOSSARY OF ACRONYMS⁶

AA:	Affirmative Action
AAF:	Annual Adjustment Factor (HUD term)
AARP:	American Association of Retired Persons
ACS:	American Community Survey
A & E:	Architectural and Engineering
AFH:	Affirmative Fair Housing
AFHM:	Affirmative Fair Housing Marketing
AFSC:	American Friends Service Committee
AHP:	Affordable Housing Program
AHS:	American Housing Survey
AIA:	American Institute of Architects
AIDS:	Acquired Immune Deficiency Syndrome
AMPO:	Allowance to Make Project Operational
AoA:	Administration on Aging
APS:	Applicable Payment Standard
BLS:	Bureau of Labor Statistics
BOCA:	Building Officials Conference of America
BOD:	Board of Directors
BSPRA:	Builders and Sponsors Profit and Risk Allowance
CAA:	Community Action Agency
CAC:	Community Action Committee/Council
CAP:	Community Action Program
CBD:	Central Business District
CD:	Community Development
CDBG:	Community Development Block Grant
CDC:	Community Development Corporation
CDFI:	Community Development Financial Institution
CFR:	Code of Federal Regulations
CHDO:	Community Housing Development Organization
COLA:	Cost of Living Allowance or Cost of Living Adjustment
CPM:	Certified Property Manager
CRA:	Community Reinvestment Act
CSA:	Community Services Administration
CSBG:	Community Services Block Grant
CTAA:	Community Transportation Association of America
CWA:	Clean Water Act

⁶ HAC would like to thank Rural Housing Improvements, of Winchendon, Massachusetts, from whose glossary many of these acronyms originally came.

DOC:	U.S. Department of Commerce
DOE:	U.S. Department of Energy
DOL:	U.S. Department of Labor
DOT:	U.S. Department of Transportation
ECP:	Enterprise Community Partners
EPA:	U.S. Environmental Protection Agency
ERS:	Economic Research Service
FDIC:	Federal Deposit Insurance Corporation
FEMA:	Federal Emergency Management Agency
FHLB:	Federal Home Loan Banks
FLH:	Farm Labor Housing
FHLMC/	
Freddie Mac:	Federal Home Loan Mortgage Corporation
FNMA/	
Fannie Mae:	Federal National Mortgage Association
FONSI:	Finding of No Significant Impact
FR:	Federal Register
FSA:	Farm Service Agency
FSS:	Family Supplemental Support Family Self-Sufficiency (HUD term)
FY:	Fiscal Year
GAO:	U.S. Government Accountability Office
GFC:	Gross Family Contribution (HUD term)
GIS:	Geographic Information System
GNMA/	
Ginnie Mae:	Government National Mortgage Association
GPO:	Government Printing Office
GSA:	U.S. General Services Administration
GTC:	Gross Tenant Contribution
HA:	Housing Authority/Agency
HAC:	Housing Assistance Council
HAP:	Housing Assistance Plan
HCD:	Housing and Community Development
HDC:	Housing Development Corporation
HERS:	Home Energy Rating System
HHS:	U.S. Department of Health and Human Services
HMDA:	Home Mortgage Disclosure Act
HOME:	HOME Investment Partnerships Program
HOPE:	Homeownership Opportunities for People Everywhere
HPG:	Housing Preservation Grant Program
HUD:	U.S. Department of Housing and Urban Development
IOI:	Identity of Interest
LHA:	Local Housing Authority/Agency

LHP:	Local Housing Partnership
LI:	Low-Income
LIHTC:	Low-Income Housing Tax Credit
LISC:	Local Initiatives Support Corporation
LUST:	Leaking Underground Storage Tank
MAP:	Midwest Assistance Program
MESBIC:	Minority Enterprise Small Business Investment Corporation
MF:	Multifamily
MFH:	Multifamily Housing
MGIC:	Mortgage Guaranty Insurance Corporation
MOU:	Memorandum of Understanding
MSA:	Metropolitan Statistical Area
NAHA:	National Affordable Housing Act of 1990
NAHB:	National Association of Home Builders
NCCED:	National Congress for Community Economic Development
NCDI:	National Community Development Institute
NCRC:	National Community Reinvestment Coalition
NEPA:	National Environmental Policy Act
NIMBY:	Not in My Backyard
NOFA:	Notice of Funding Availability
NRCS:	Natural Resources Conservation Service
NSP:	Neighborhood Stabilization Program (through HUD)
NTC:	Net Tenant Contribution
OJT:	On-the-Job Training
O & M:	Operation and Maintenance
OMB:	U.S. Office of Management and Budget
OS:	Occupancy Surcharge
OSHA:	U.S. Occupational Safety and Health Administration
PHA:	Public Housing Authority/Agency
PIC:	Private Industry Council
PILT/PILOT:	Payment in Lieu of Taxes
PJ:	Participating Jurisdiction
PL:	Public Law
PSS:	Project Self-Sufficiency
PUD:	Planned Unit Development
RA:	Rental Assistance
RC:	Resident Council
RCAP:	Rural Community Assistance Program
RCRA:	Resource Conservation and Recovery Act
R & D:	Research and Development
RFGA:	Request for Grant Applications
RFP:	Request for Proposals
RHS:	Rural Housing Service

RRH:	Rural Rental Housing Program (Section 515)
SAIPE:	Small Area Income and Poverty Estimates
SBA:	Small Business Administration
SDC:	State Data Center
SF:	Single-Family Standard Form
SFH:	Single-Family Housing
SHH:	Self-Help Housing
SHOP:	Self-Help Homeownership Opportunity Program
SHPO:	State Historic Preservation Office
SRO:	Single Room Occupancy
TA:	Technical Assistance
TANF:	Temporary Assistance for Needy Families
TAP:	Technical Assistance Plan
TCLI:	The Center for Leadership Innovation
TDC:	Total Development Cost
TTP:	Total Tenant Payment (HUD term)
USC:	United States Code
USDA:	U.S. Department of Agriculture
USGS:	U.S. Geological Survey
UST:	Underground Storage Tank
VA:	U.S. Department of Veteran Affairs
VISTA:	Volunteers in Service To America
VLI:	Very Low-Income
VOC:	Volatile Organic Chemicals
W/WW:	Water/Wastewater
ZBA:	Zoning Board of Appeals