

The Predevelopment Process Part 1

April 20, 2022

Presented by: Florida Housing Coalition

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AFFORDABLE HOUSING CATALYST PROGRAM

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Catalyst Training Schedule



A banner for SHIP Catalyst Training. The left side features a photograph of three people (two men and one woman) smiling and looking at a laptop screen. Overlaid on the bottom left of the photo is the SHIP logo, which consists of a green house icon with a blue cube inside, and the text 'SHIP' in bold black letters, with 'housing a stronger Florida' in smaller text below it. The right side of the banner has a teal background with white text. At the top, it says 'Fine Tune Your SHIP Program' followed by 'REGISTER NOW FOR' in smaller letters. Below that, 'CATALYST TRAINING' is written in large, bold, white capital letters. At the bottom of the banner, a dark teal bar contains the text 'Register Now for SHIP Catalyst Training!' in white. Below the banner, there are four small, light blue circular icons arranged horizontally.

Fine Tune Your SHIP Program
REGISTER NOW FOR
**CATALYST
TRAINING**

Register Now for SHIP Catalyst Training!

The Coalition is Florida's affordable housing training and technical assistance provider.

Hotline: 1-800-677-4548

www.flhousing.org

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Your Instructors



Gladys Cook



Elissa Plancher



Conference Registration Now Open

<https://fhc.wildapricot.org/event-4693298>

ANNUAL STATEWIDE HOME MATTERS CONFERENCE

AUGUST 29-31

IN-PERSON AT THE ROSEN CENTRE, ORLANDO FL

AUG 29-31 ORLANDO, FL

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**HOME
MATTERS**

Webinar Logistics

- Participants are muted
- Enter your questions in the box in your webinar panel
- This webinar is being recorded and will be available at www.flhousing.org
- A survey will immediately follow the webinar; ***please*** complete it!

Workshop Overview for Part 1

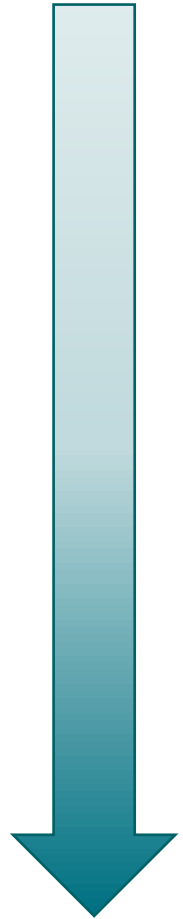
- Conceptual Vision
 - Organization Capacity
 - Site Selection and Acquisition
 - Third Party Reports
 - Development Team
-
- Part 2 starts with FHFC RFA Process

What Are Your Objectives?

- Local Government
- Nonprofit Organization
- Developer
- Team Member
- Lender

The Development Process

- Conceptual vision
- Site Selection
- Programming/Preliminary Design
- Funding Application
- Credit Underwriting
- Funding Award and Initial Closing
- Construction and Lease-Up
- Project Stabilization and Final Closing
- Project Operation and Program Compliance



The Four Meetings

Board of
Directors

City & County
Housing
Staff

Interview
Team
Members

Your
Technical
Advisor

Concept Stage

- What is your mission?
- What type of project is contemplated...
 - Multifamily
 - Single Family
 - Large or Small Scale
 - Urban or Rural
 - Supportive Housing



Is this Project Within Your Organization's Mission?

- Strategic Plan Goals
- Staff Skillsets
- Board of Directors
- Experience
- Financial Strength

What is your Target Market?

- Workforce Housing: <140% AMI
- Low-Moderate Income: <80% AMI
- Very Low Income <50% AMI
- Extremely Low Income <30% AMI
- Seniors: Persons ages 62+
- Farmworkers: 40% of residents are farm laborers

SouthWood

Future Site of



Opening
Mid 2023

An Independent Living
Affordable Housing Community
for Individuals with
Developmental Differences

www.IndependenceLandingFL.org



What is your Target Market?

- Persons with Disabling Condition: See RFA
- Persons with Special Needs: Florida Statute Chapter 420
- Housing for Persons Experiencing Homelessness

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What are your Strengths?

- Strong Staff and Board
- Experience
- Land
- Funding
- Meet community needs
- Opportunities

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CHDO Capacity Checklist

Evaluate
your
strengths

CHDO Capacity Self-Assessment Tool

THIS CHECKLIST IS PROVIDED IN WORD SO THAT YOU MAY EDIT AND ORGANIZE AS NEEDED. EVEN THOUGH THIS IS A CHDO SPECIFIC TOOL IT CAN ALSO BE VERY USEFUL AS A TEMPLATE FOR ANY NONPROFIT TO ADAPT TO ITS PREFERRED USE.

This tool combines the regulatory requirements of CHDO qualification with additional questions to help CHDOs determine if they have the capacity to be successful as a developer. It has been provided as a tool to HOME PJs in the [CHDO Toolbox](#).

For each of six topic areas, the CHDO regulatory thresholds are provided. If the organization does not meet these thresholds, then it may not be certified as a CHDO regardless of its overall capacity to develop. For this reason, the deficiency column is blacked out for those certification thresholds.

However, if the regulatory thresholds are met, then the organization's success as a CHDO developer may be influenced by the additional questions that indicate capacity to successfully manage housing development activities. If deficiencies are noted, the organization should work on these areas or request TA from the PJ before seeking CHDO project funds.

	Topic/Question	Adequate	Deficiency
1	Organizational Status & Mission		
	Regulatory Thresholds:		
	The nonprofit is organized under State or local laws, as evidenced by: ____ A Charter, OR ____ Articles of Incorporation.		
	It has a tax exemption ruling from the Internal Revenue Service as evidenced by: ____ A 501(c)(3) or (4) Certificate from the IRS or ____ A group exemption letter under Section 905 from the IRS that includes the CHDO.		
	It has among its purposes the provision of low- and moderate-income housing, as evidenced by: ____ Charter, ____ Articles of Incorporation, ____ By-laws, OR ____ Resolutions.		
	Additional Questions:		
	Certificate of Good Standing: Can it deliver a certificate of good standing or other documents from the State?		

Is There a Need for Your Project?

- Needs Assessments & Market Studies
 - Home Matters Reports
 - Consolidated Plan
- Cost Burden
 - ALICE Report
 - Shimberg Center
 - Consolidated Plan





Is There a Need for Your Project?

- Homelessness
 - Point-In-Time Count
 - System Performance Measures
- Disaster Recovery
 - Housing for People who have been Displaced

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The Product is Needed...



BUT IS THERE FUNDING AVAILABLE?

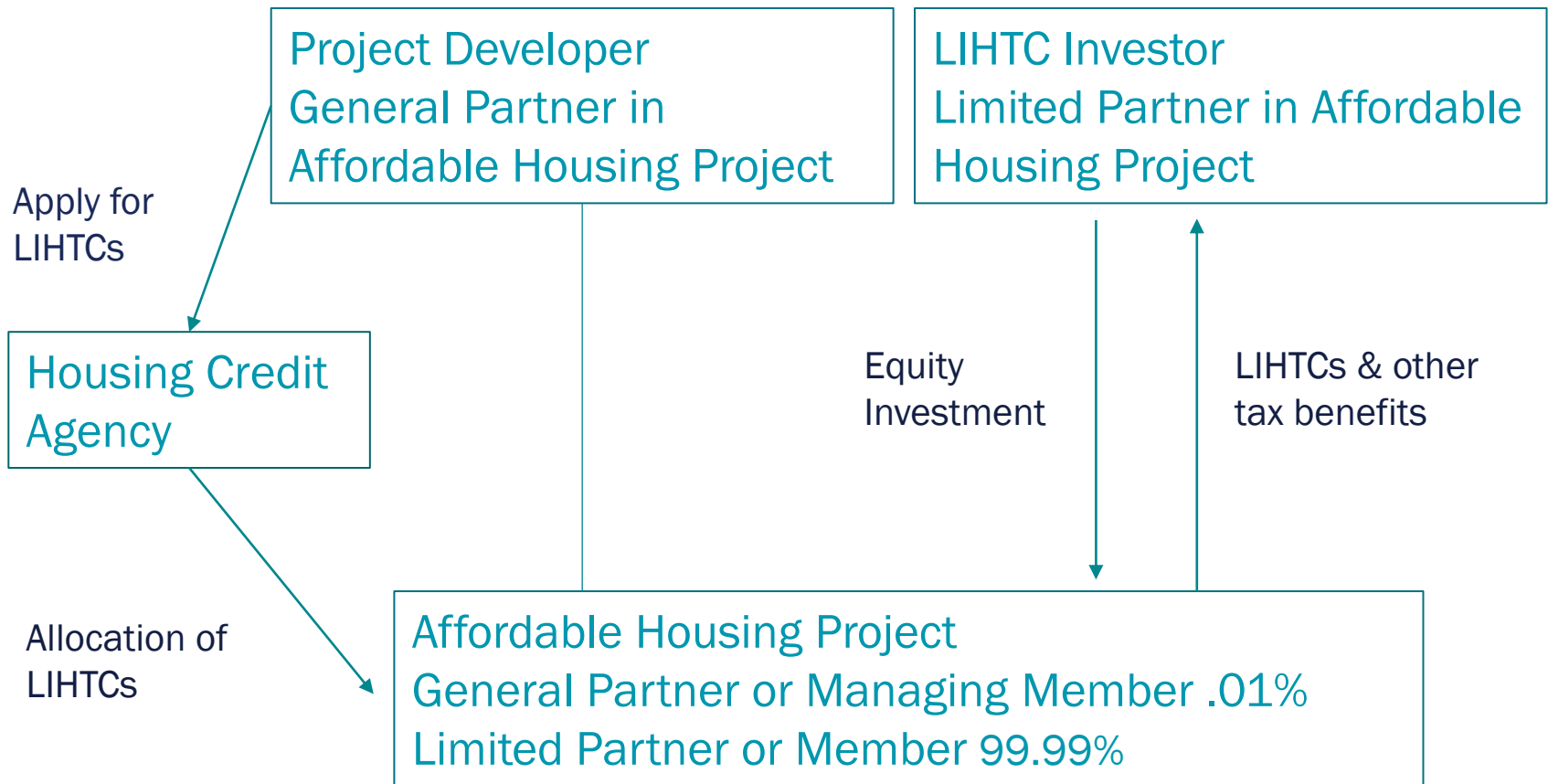
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Forming the Legal Structure

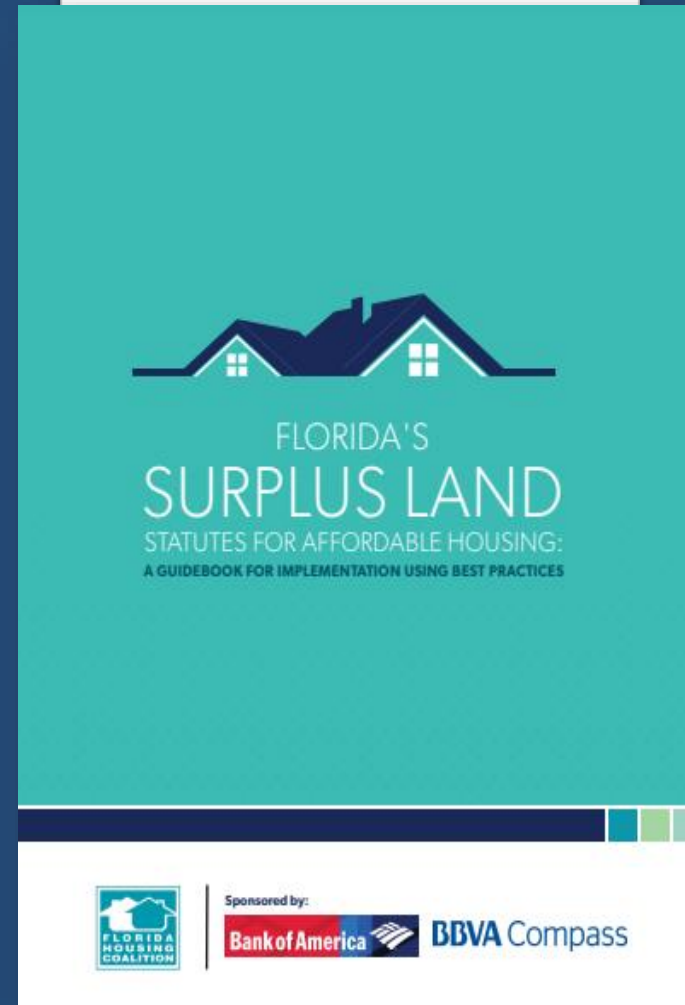
- Limited Liability Corporation
- Registered nonprofit organization, 501c3
- Legal entity may be formed for each project
- If non-profit required, nonprofit must have 51% control

Typical Legal Structure for Direct Investment in LIHTC-financed Project



Site Selection and Evaluation

- The site should match the project concept!
 - Broker listings
 - Seller solicitation
 - Target areas – public funding or policy initiatives
 - Riding Around
- Often, the attributes of the site may determine the project!



Why is this Property Available?



Neighborhood and Community Factors

- Schools
- Transportation
- Personal Services
 - Shopping, healthcare, daycare
- Public facilities and services
 - Police, fire, EMS
- Proximity to employment
- RFA Proximity and Locational Factors

Neighborhood and Community Factors

- Neighborhood conditions
- QCT or CRA?
- R/ECAP?
- Crime stats
- Investing or divesting?



Neighborhood and Community Factors

- Future Land Use
- Capital Improvements Planned



Political Factors

- NIMBY
- Local Government Support
- Local Government Contribution



OR



Social Factors

- Will site serve your target demographics?
- Will project costs impede target income levels?
- Is site with proximity to employment of your target
- Is site consistent with Special needs considerations?
 - Transit, accessible neighborhood, access to services

Business Factors

- Does this project meet your mission?
- Are you ready for real estate development?
- Do you have time to take away from your other activities?
- Does your organization have the skills needed?

Market Factors

- Formal Market analysis during Credit Underwriting
- Know your competition
- Know what proposed projects are coming on-line
- Understand rents and sales prices



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Land Use and Zoning

- Comprehensive Plan
 - Future Land Use Element
 - Housing Element
- Zoning
 - Base
 - Overlay
- Buy zoned land, if at all possible

Land Use and Zoning

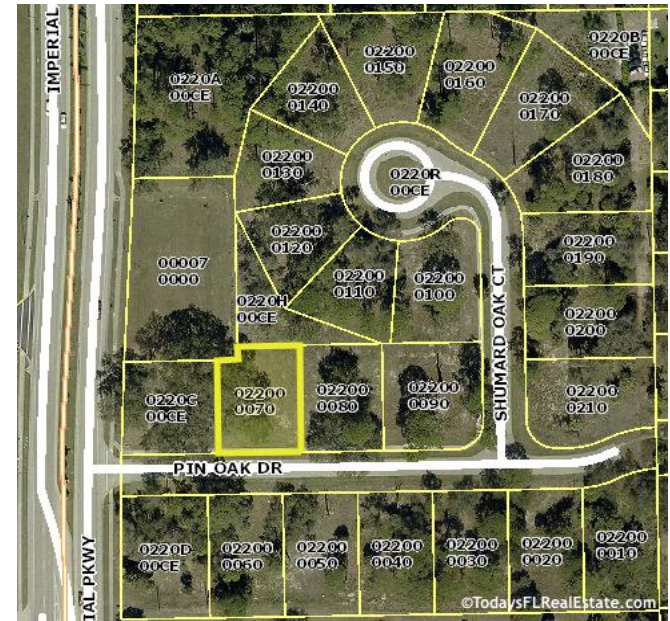
- Buy land with existing infrastructure
- Make flow chart of approvals needed
- Land Development Regulations
- Special Concerns
 - Historic Designations
 - Form Based Codes

Zoning and Special Overlays

- Site configuration
- Density
- Intensity
- Overlays
 - Downtown, attainable, rural village, historic

Subdivision and Platting

- Lengthy process
- If already laid out, check that utilities are still operational
- May require land use plan change
- Can phase development and not pay for all improvements up front



Approvals Requiring Public Input



- Prepare for NIMBY syndrome
- Talk to local staff
- Community outreach and meetings
- Anticipate issues

Infrastructure

- Water, sewer, drainage, power, roads
- City or County provided, if possible
- Engineering can be expensive
 - Frequently under-estimated
- Most funding sources only pay for on-site utilities
- Can use CDBG to bring it to site

Permitting

- Estimate timeframe for reviews
- Ask for expedited review from beginning
- Will need permit ready drawings and permits to complete underwriting process



Permitting Stages and Fee Requirements

- Informal review
- Site Plan
- Development Order
- Building permits
- Impact fees
- Utility impact and connection fees
- Inspection and re-inspection fees
- Recycling and waste fees

Incentives: Will They Work for You and are They Practical?

- Density Bonus
- Expedited Permitting
- Zoning Relief
- Fee waivers or mitigation
- Surplus Land
- Lien removal
- Others?

Incentives: Will They Work for You and are They Practical?

At the meeting,
ask for what you need or offer what
you can.

Environmental Factors- Initial Considerations

- Adjacent Uses- railroad, landfill, drainage, expressway, commercial...
- Infrastructure
 - Availability of utilities to site or in vicinity
 - Paved roads
 - Sidewalks
 - Type of street- arterial, side, connector...
- Views and visibility

Environmental Factors- Suitability

- Soil
 - Type, stability, previous use
- Slope
 - Runoff
- Flood Plain
 - Zone classification, elevation
- Conservation areas
 - Wetlands





Endangered Species

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Economic Factors

- Land Cost per Unit
- Financing Availability
- Impact Fees
- Utility Connection fees, Impact fees, Rates
- Earnest Money
- Special Incentives-Density
- Surplus Land

Density and Land Cost Matrix

Land Cost/Acre 100,000				
Acreage 10				
Total Cost 1,000,000				
Density	10	12	16	18
Cost/Unit	10,000	8,333	6,250	5,556
Site Work/Unit	10,000	10,000	10,000	10,000
Impact Fees/Unit	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
Gross Cost/Unit	35,010	33,345	31,266	30,574

Existing Buildings



- Environmental
 - Asbestos or lead paint-pre-1978
- Structural Condition
- Mechanical Systems
- Security
- Paving and Drainage
- Code compliance

Legal Factors

- Contracts and Contingencies
- Title Search and Report
- Easements
- Closing
- Recording process

Real Estate Acquisition Factors

- Making the Offer
- Contract
- Title Search
- Closing Process

Site Selection: Criteria for 9% LIHTC

- Proximity to services
 - Bus stop/rail
 - Grocery store
 - Medical clinic, pharmacy (Elderly)
 - Public or charter school (Family)



Site Selection: Criteria for 9% LIHTC

- **Multi-family Mapping Application (BETA) Program**

- Geographic Areas of Opportunity
- QCTS, SADDAS & RECAP Areas
- Limited Development Area
- Mandatory Distance Requirement Areas



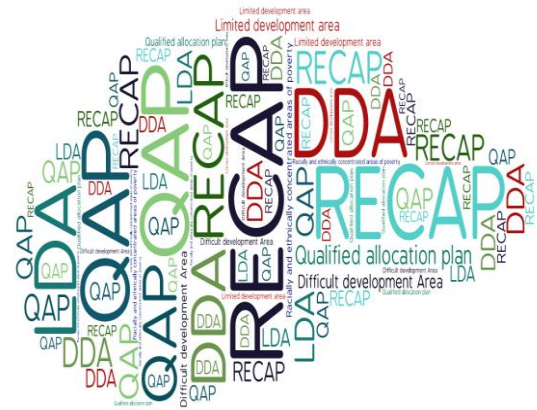
ELIGIBLE OR NOT???

Site Selection: Criteria for 9% LIHTC

- Utility Infrastructure
 - Ability to Proceed
- Zoning Verification Form
- Site Plan Review Form
- Local Government Contribution
- Ability to Proceed Verification Forms
- Site Plan Approval

Pre-Application Research

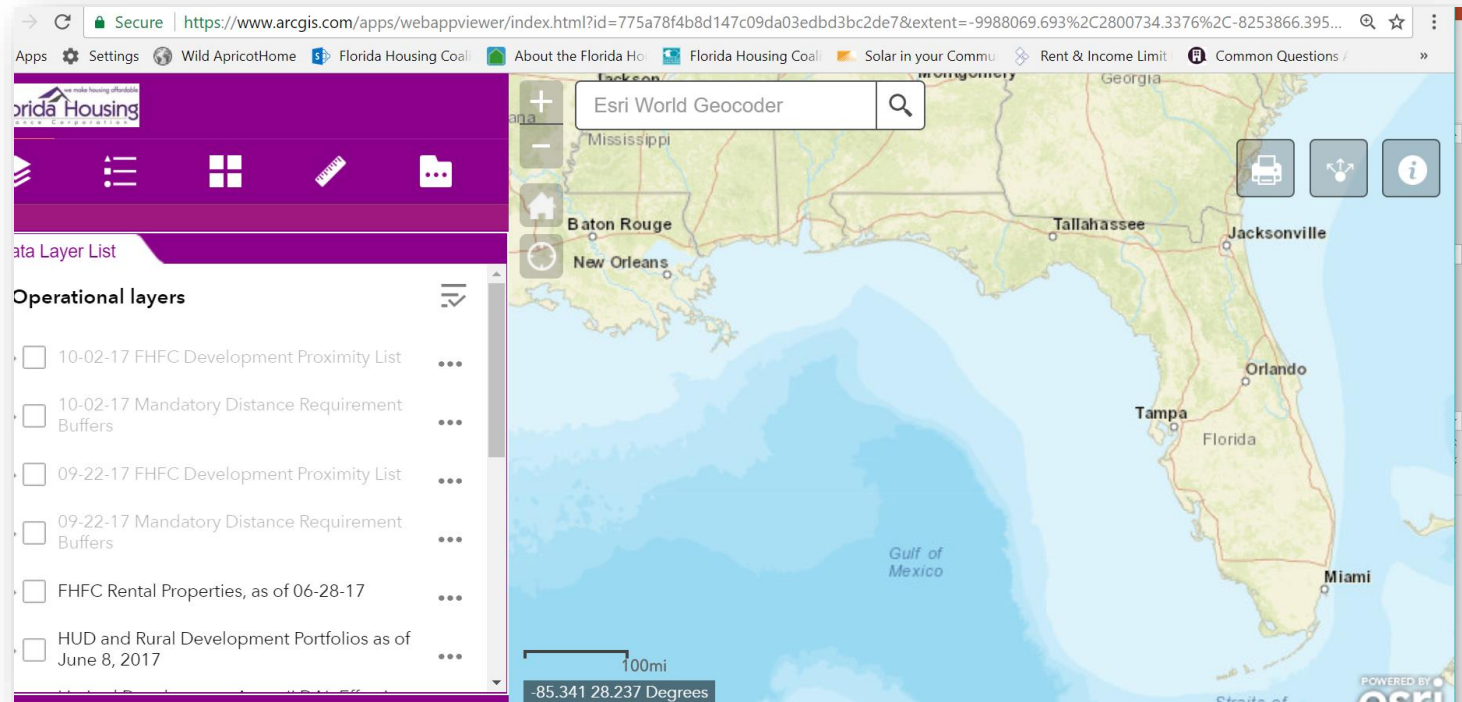
- QAP
- Proximity- points
- DDA
- Areas of Opportunity
- Local Government Preferences
- Who can apply
- What was funded before



Limitations on Applications

- Two or Three Factor Areas
 - Income, education employment rates
 - Good
- Difficult Development Area (DDAs)-HUD
 - Bad
- Local Government Areas of Opportunity** (LGAO)
 - Good
- Racially and Ethnically Concentrated Areas of Poverty** (R/ECAP)
 - Bad
- Minimum Distance Areas
- Limited Development Area (LDA)

FHFC Beta Mapping Tool



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Third Party Reports

- Survey
- Appraisal
- Environmental
- Capital Needs Assessment
- Market Study
- Asbestos and Lead Testing
- Project Cost Analysis

The Survey

- Determine Requirements in Funding Sources
- Boundaries
- Legal Description
- Encumbrances
- Easements
- Structures
- Access
- Right of Way

The Appraisal

- Informal
- Formal
- FHFC requires appraisal for acquisition if PLP funds are used
 - Usually, must use their vendor
- Cost \$4,300-\$8,000

Appraisal Interpretation

- Market overview
- Improvement Analysis
- Highest and Best Use Analysis
- Marketability and Exposure periods

Valuation Procedures

- Market rental
- Land value
- Sales Comparables and Income
- Income capitalization
- Reconciliation
 - As a market rental
 - As a restricted property

Value Estimated	Interest Appraised	Estimated Value
As Vacant	Fee Simple	\$340,000
Market, As Is	Leased Fee	\$1,230,000
Market, As renovated	Leased Fee	\$1,940,000
Market, renovated, restricted w SAIL	Leased Fee	\$920,000
Market, As Is, restricted by USDA, RD, HOME, SAIL	Leased Fee	\$990,000
Market, renovated, restricted	Leased Fee	\$1,050,000
Market Value of favorable	Leased Fee	\$1,600,000

The Environmental Review

- Statutory Requirement
- Phase I, Phase II
- Mitigation
- Timeframe
 - Will need initial and update
- Protected species and actions
- Wetlands
 - Water Management issues

Lead and Asbestos Testing

- Required for Pre-1978 existing Buildings
- Do testing even if not using federal funds
- Guidance is available

Market Study: Rental or Owner

- FHFC requires market study for rental and owner projects
 - Must use their vendor
- Cost about \$5,000

Market Study Interpretation

1. Site Analysis
 - Exposure and access
2. Improvement Analysis
 - Suitable for use
3. Regional Analysis
 - MSA pop, growth, costs
4. Neighborhood Analysis
 - 3-mile ring
5. Apartment market overview
 - # and cost
6. Primary Market Area determination
 - 10-mile ring from which 66% to 75% of tenants will come

Market Study (continued)

7. Demographic Analysis
 - Pop-in ring
8. Rental Estimates
 - Restricted and market
9. Unit Mix, unit sizes, amenities relative to competition
 - Given area characteristics
10. Impacts on existing affordable inventory
11. Average occupancy rate
 - New or existing
12. Average absorption rate
 - Lease-up

Capital Needs Assessment (CNA) Existing Properties

- FHFC requires for rehabilitation or preservation projects
- Must use FHFC vendor
- Costs about \$8,000
- Detailed inspection
- Detailed report on needs
- Reserve Analysis is critical

Capital (Physical) Needs Assessments

- Professional written evaluation of property condition
 - Health and safety
 - Accessibility
 - Environmental
 - Remaining useful life of all systems
 - Rehab needed
 - Estimated costs (current)
 - Schedule and cost of future replacements

What is in the CNA Report?

- Statement of purpose
- Summary of prior repairs/replacements
- Summary of interview with owner/property manager
- Documents reviewed
 - Statements/reports/REAC/Environmental reports
- Site summary
- Summary of all systems
- Which units were inspected
 - Best to enter every unit (Min sample 25%)
- Photos
- Recommendations and priorities

How to Select a Firm for the CNA

- Begin with discussion of needs
- Willingness to tailor report
- How are costs calculated?
- Include green? Energy Efficiency?
- View samples of spreadsheet and narrative
- Request Reserve Fund Analysis

The Development Team

- Who is your Project Manager?
- Select your vendors and lenders
- Select your co-developer
- Verify licenses and complaints

Assemble Your Development Team

- Project Manager
- Appraiser/Market Analyst
- Architect/Engineer/Surveyor
- Co-Developer
- General contractor
- Consultant
- Legal Team
- Financing partners
- Property Manager/RE Agent
- Title Company

Selecting a Co-Developer

Step 1: Issue and RFQ

Step 2: Review their Experience:

- Is your project what they specialize in?
- Do they deliver a quality product?
- What is their reputation?
- Visit their projects
- Talk to their clients and funders

Co-Developer Capacity

Resources:

- Do they have appropriate financing? A strong balance sheet?
- Do they have sufficient liquidity?
- Do they have appropriate staffing?
- What other projects are in process?
- Are they well-connected?

Architect

- Selection Criteria
- Draft Design
- Preliminary Cost Review
- Final design
- Construction Docs and Specs
 - Construction cost estimator
- Bid Package

Engineer

- Geotechnical
- Civil
- Environmental
- Structural
- Surveyor
 - Tree, boundary, archeological, topographic

General Contractor

- Selection
 - Open RFP, Qualified/Limited Bidding (RFQ), Negotiated Hiring
 - References
 - HUD regs
- Contract
 - lump sum, cost plus, penalties, bonus
 - Hire construction contract expert

General Contractor

- Regular, timely communication & meetings
- Legal & financial controls
 - Performance & payment bond
 - Retainage
 - Lien releases/waivers – suppliers & subs
 - Warranties

Construction Management

- Objectives:
 - Scope: Make certain you get what you are paying for
 - Schedule: Monitor & respond promptly to changes
 - Payment: Make sure everyone gets timely payment
- Redundancy:
 - Architectural supervision
 - Lender construction inspections
 - Public agency inspections
 - Owner's rep, clerk of works or construction manager

Developer Capacity

- Have they done this before?
- Do they deliver a quality product?
- What is their reputation?
- Do they have appropriate staffing?
- What other projects are in process?



Developer Capacity

- Are they financially sound?
- Do they know the funding rules?
- Are all funding sources committed?
- What is their marketing plan?



Successful Partnerships

- Common mission and objectives
- Nice
- Responsible
- Financially sound
- Experienced
- Available
- Delineate tasks
- Share of proceeds/developer fee/rents

Project Feasibility Evaluation

- Site Selection
- Due Diligence and Contingencies
 - Good faith deposit/option
 - Appraisal
 - Title insurance /lien search
 - Closing date
 - Infrastructure
 - Insurance
 - Taxes
 - Surveys
 - Environmental reviews
 - Market studies
 - Neighborhood location and perception

Project Feasibility Evaluation

- Feasibility Analysis
 - Property/Capital Needs Inspection
 - Proximity to Services
 - Historical?
 - Project Budget
 - Land use/Zoning/NIMBY
 - Financing
 - Timeline
 - Feasibility Analysis
 - Operating Proforma
 - On-going

Complimentary Trainings & Resources

- The Development Process
 - The Development Process- [Recording](#) – [PowerPoint](#) (Dec. 2, 2020)
- FHC Nonprofit Capacity Building Institute (NCBI)
 - Information about the [NCBI](#)
 - Survive and Thrive as a Nonprofit – [Recording](#) – [PowerPoint](#) (March 25, 2021)
 - Enroll in the Institute
 - <https://flhousing.org/nonprofit-capacity-2/>



Join Us for Part 2: The Pre-Development Process

Wednesday, April 27 - 10:00 am - 11:30 am

Presenters will cover construction/design, zoning and land uses, budgeting, and the timeframe of the predevelopment process. Learn about the Florida Housing Finance Corporation's Predevelopment Loan Program requirements as the presenters walk through the process for obtaining a loan. This webinar series complements the Affordable Housing Funding Sources webinars.

Register Here

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Thank you!

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