

COLUMBIA BASIN TRUST AFFORDABLE HOUSING WORKSHOP

PRE-DEVELOPMENT GUIDE

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PRE-DEVELOPMENT

Pre-Development is the portion of the development process that takes your project from idea to buildable reality. Pre-development activities inform your project concept, reduce risks, and prepare your society and project for a funding application.

Pre-development is not a rigid or linear process. The checklist below is not meant to be completed from top to bottom. You will likely be moving up and down, completing multiple activities at the same time. Your society may choose to lead some pre-development activities, but a trusted development consultant can help prioritize actions, procure specialists, and help your project become “shovel ready.”

PRE-DEVELOPMENT CHECKLIST

Initial Site Feasibility

- Site Due Diligence
- Zoning Analysis
- Land Security

Identify Critical Partnerships

- Land-Use Authority
- Operating Partner
- Development Consultant

Refine Concept

- Updated Need and Demand Analysis
- Assess Funding Landscape
- Procure Architect

Assess Financial Viability

- Develop Proforma
 - Capital Budget
 - Operating Budget

Advance Designs

- Procure Project Team
- Costing

Local Government Approvals

- Land-Use Approvals

PRE-DEVELOPMENT FUNDING

Pre-development is not cheap, often costing up to \$250,000 depending on the context of the site and size of project. Pre-development funding or project development funding (both interchangeably referred to as PDF) can help advance a project through site due diligence, procurement, concept and schematic design, initial project approvals, and proposal development.

Common sources for pre-development funding include:

- Columbia Basin Trust Affordable Housing Initiative
- Canada Mortgage and Housing Corporation SEED Funding
- BC Housing Project Development Fund
- Local governments may also allocate PDF to your project, often through an affordable housing reserve fund.

SITE FEASIBILITY

SITE DUE DILIGENCE

Site due diligence activities answer two critical questions about a project:

- Can this site support a housing development?
- If yes, what issues with the site do we need to be aware of moving forward?

Some common due diligence activities include:

- Environmental Site Assessment
- Geotechnical Report
- Legal and Topographic Surveys
- Natural Hazards and Arborist Reports
- Site servicing (water, sewer, utilities)

Your location and the history of your site will determine what specific studies need to be conducted. A development consultant can help determine which studies are most critical and procure specialists to complete the work.

ZONING ANALYSIS

Working with a planning consultant or your municipality/land-use authority, a zoning analysis will help determine what type of housing is most appropriate or feasible for your site. A zoning analysis should include a review of applicable land-use policies and zoning bylaws, potential regulatory challenges to development, and a summary of different redevelopment or rezoning options.

SECURE LAND IN PRINCIPLE

If the proposed site is not already owned and/or leased by your society, it is important to demonstrate to the funder that there is a plan in place to secure the land. A formal lease or sale agreement is excellent, but past funding calls have also accepted a letter of intent to lease or purchase certified by both parties. A Memorandum of Understanding (MOU) between the landowner (often a local government) and the operating society is also appropriate for some funding programs.

IDENTIFY CRITICAL PARTNERSHIPS

In addition to the Columbia Basin Trust, your society likely has many critical partnerships in place already. There are few you may wish to cultivate in greater depth as you get closer to development.

MUNICIPALITY OR LAND-USE AUTHORITY

Your local land-use authority (typically a municipality, regional district, or Indigenous government) is responsible for local approvals. Through zoning and other bylaws, they determine what can and cannot be built on a site and can levy development fees at multiple stages of the development process. Many land-use authorities are excited to support affordable housing projects and may have policies in place to reduce costs and expedite approvals.

In addition to policy support and staff time, land-use authorities are making capital contributions and/or land investments in affordable housing with greater frequency. If not already on your team, consider investing time in your relationship with your land-use authority or local government entity.

OPERATING PARTNER

Most societies intend to operate the housing development themselves, but if you are not, an operator is your most critical partner. Operators manage the housing, tenants, and reporting for the life of the new building. Without a strong, established operator, senior funders will not commit to a project.

If you are or already have an operator, use this time to begin outlining and formalizing your experience, operating procedures, and proposed structure for the new project. Work with your development consultant or refer to past proposal calls for examples of what information is expected from senior funders.

Many smaller societies use a new project as an opportunity to “scale up” or further professionalize operations. This often means hiring staff for the first time and transitioning from an operational board to a governance board. Consider what you hope to achieve as an organization through this project. Remember, you will be expected to operate your building for more than half a century, sometimes longer. How can this project address housing need in the short-term and ensure organizational continuity and successful operations in the long-term? Your development consultant can help with organizational planning and may be able to connect you with other non-profit operators who have larger portfolios.

DEVELOPMENT CONSULTANT

Development consultants help non-profit societies navigate the complex world of housing development. Most can support specific development tasks or offer full-scale development services. As affordable housing becomes more complicated, development consultants are increasingly critical to societies and operators. Development is a specialized skillset that most societies do not have in house or can not permanently afford. A development consultant gives you the knowledge you need on a project-to-project basis.

For more information on development consultants review [*Hiring and Working with Development Consultants: A Guide for Non-Profit Housing Providers*](#). The guide was developed by the BC Non-Profit Housing Developing Association (BCNPHA) in partnership with BC Housing.

REFINE CONCEPT

Your society likely has a vision for your project already, but as your society completes site due diligence and assesses the funding landscape, you may need to refine your concept to work within the bounds of your site and the parameters set by senior lenders. Working with your development consultant and other partners, start solidifying the following components of your project:

- Basic building form (e.g., apartment, townhouse, etc.);
- Preliminary unit count and mix breakdown;
- Affordability levels (often tied to the funding program);
- Integrated services, required amenity rooms, or other uses.

Once you have your concept in place, an architect can complete basic concept drawings. Concept drawings are only the preliminary phase of the design process but are often the first visualized version of your project. Getting your architect to include renderings or elevations can help to communicate the value of the project to your community, build support, and are often included in funding proposals.

UPDATED NEED AND DEMAND ANALYSIS

A project-specific need and demand analysis can help refine your target tenant demographic, set affordability levels, and inform preliminary unit counts and bedroom numbers. Review your local government's latest housing needs report and confirm that your vision or concept for your project is still justified through housing data and engagement findings. You may also want to collect waitlist data or other key information from local operators.

A need and demand analysis is a required component of any proposal to senior funder. Be prepared to quickly and concisely explain how your project is meeting a need in your community.

ASSESS FUNDING LANDSCAPE

When possible, identify a specific funding program or source and incorporate any affordability requirements or targets into your project concept. The Columbia Basin Trust can help you identify funding calls or relevant funding sources, and your development consultant can review your concept against past calls and requirements.

A good concept must meet community need and be fundable. Likely this means finding a balance between affordability, unit number, unit mix, and target population.

PROCURE ARCHITECT

Once you know your project parameters, you can procure an architect to give your concept shape! The architect procurement process is typically facilitated by the development consultant. Depending on the project, the development consultant may suggest moving forward with a full procurement process or alternatively, suggest a phased approach.

The architect will likely be with you for the duration of the project. Their procurement is often more in-depth than for other specialties. Your procurement process could include in-person or teleconference interviews with potential architects and your society would then have the opportunity to ask questions, assess communications style, and review past projects.

ASSESS FINANCIAL VIABILITY

DEVELOP PROFORMA

A key role of the development consultant is to assess the financial viability of the project. To complete this assessment, the development consultant will build a project proforma. A proforma is a financial spreadsheet that models project costs and revenues and helps assess whether a project is financially viable. The proforma includes a capital budget projects both hard costs (i.e., construction) and soft costs (i.e., all other costs). To develop the operating budget, the development consultant will work closely with your society, ideally using actual expenses and revenues from past projects to inform your budget.

ADVANCE DESIGNS

PROCURE PROJECT TEAM

Most funding streams target “shovel ready” projects. To advance your building designs to this stage, your architect needs support from additional specialists. Generally, the following consultants are required to move from concept designs to schematic designs:

- Civil Engineer
- Mechanical Engineer
- Landscape Architect
- Energy Modeler

A development consultant can support specialist procurement and will work with your society and the architect to ensure you understand all aspects of the updated design process.

COSTING

Cost estimates are prepared by a Quantity Surveyor (QS) or a Construction Manager in consultation with the development consultant. As the design advances, more accurate costings can be completed. After each costing, your development consultant refines the capital budget and proforma to account for the updated information. At least a preliminary costing is required for most funding streams, but more advanced designs and costings generally make for a more competitive proposal.

LOCAL GOVERNMENT APPROVALS

Land-use approvals are a large source of risk for a project. Without approval, there is potential that the project may need to be redesigned, adding significant cost and time. All local government processes do not need to be completed before submitting your proposal to a senior lender, but applications should at least be in motion. Processes/approvals may include but are not limited to:

- Compliance with Official Community Plans;
- Rezoning applications;
- Development permit submission; and
- Sub-division application (if applicable).