

## *0. Discernment*

### **1. Visioning & Acquisition**

### **2. Partnership & Procurement**

### **3. Finance**

### **4. Design**

### **5. Development**

### **6. Construction**

### **7. Management**



This guide is one of a series of project types that describe the 7-step process and the tasks, deliverables, and milestones associated with executing affordable housing and community development projects by Houses of Worship. The steps are often iterative and project-dependent. Some Design tasks will happen in conjunction with some Financing tasks, for example. Many projects undertaken by faith-based groups are accomplished in partnership with nonprofit and for-profit development organizations with the requisite expertise, through a joint venture. Many of the listed tasks may be led by or involve the joint venture partner.

The online Resource Center in the Faith Based Development Guide includes several tools that describe individual tasks or topics with greater clarity and include sample deliverables for your consideration. The content of this guide is intended to support your growth and learning about development but is not intended to be and does not constitute legal advice. For specific advice about your project, consult a certified professional.



## 0. DISCERNMENT

Across the nation, Houses of Worship (HOWs) are facing multiple challenges. Two common ones include:

- **Financial challenges** of an economic model that is increasingly coming up short in funding mission. Many religious institutions are looking for sustainable forms of revenue to support their mission and their communities while sustaining their institution.
- Ways houses of worship can address **societal challenges** of our times in housing affordability, racial equity, the climate crisis, and more, by engaging in different expressions of faith beyond traditional programs offered by a church, synagogue, or mosque.

Many houses of worship and related religious institutions have considerable assets in the form of real property and investments in the form of an endowment, both of which can be used for mission, especially when an institution and its membership reimagine how to utilize them in addressing specific challenges faced by a congregation.

**Discernment** takes a house of worship through the process to decide whether there is a collective determination to move forward with a project that could address societal, financial, and other challenges by leveraging these assets.

Mark Elsdon, RootedGood co-founder and author of *Gone for Good?* and *We Aren't Broke – Uncovering Hidden Resources for Mission and Ministry*, describes these real property and investment assets as being hidden in plain sight. He defines the discernment process, which we colloquially refer to as pre-pre-development as follows...

*“Pre-pre-development is the process of getting ready to do something new with a church property. It starts with a focus on mission, understanding the needs and assets in the community around a church, considering business models and demand, and connecting all of that with the passions, gifts, history, and theological commitments of the church. This work helps a congregation develop a new ecclesial imagination. It may involve learning from existing projects or models but rarely can a model be simply applied to a new setting. Good property development is very contextual.”*

Mark discusses how religious groups can use faith-based social enterprise, or redemptive entrepreneurship, to leverage church property and investment capital to support the lasting transformation and innovation that congregants want to see in our houses of worship and broader communities.

Mark's own religious community, Pres House at the University of Wisconsin-Madison, developed an affordable housing apartment complex on land that had been the church parking lot. That project produced a triple bottom line: mission impact, financial sustainability for Pres House, and a financial return to the impact investor – the regional Presbyterian synod.



# 1. VISIONING & ACQUISITION

Many HOWs own the land they plan to use for development, but for single-family rehab work, **Acquisition** (*in italics below*) is more commonly an important step. Some HOW rehab projects are on currently owned, donated or bequeathed properties. However some HOWs complete rehab as larger community revitalization efforts and need to follow similar Acquisition tasks, deliverables, and milestones, to those described below.

The Visioning steps should be considered a more universal practice, as a clear Project Mission that is shared with project stakeholders can save time and resources, and effective Community Engagement leads to projects with champions and better outcomes for its residents and neighborhood.

## TASKS

### Project Mission

- Describe the conditions your project addresses
- Specify the people your project will impact
- Describe your resident or community goals
- Define the qualities of your project
- Incorporate your HOW goal for this project

### Community Engagement

- Define Engagement Goals
- Identify and Analyze Stakeholders
- Plan your engagement approach
- Engage and Adapt

### Contract and Legal Review

- *Draft Letter of Intent (LOI)*
- *LOI Review, Approval, and Execution*
- *Draft Private Sale Agreement (PSA)*
- *PSA Review, Approval, and Execution*
- *Seller Deliverable Request*
- *Review Site Plan Conditions*
- *Outline of REA/other legal agreements*
- *Title Review*
- *Survey Review*
- *ALTA Survey*
- *Access Agreement*

### Closing

- *Initial Project Schedule*
- *Closing Documents and Execution Plan*
- *Closing Check List*
- *Evidence of Parcel Taxation "Assessment Condition"*
- *Closing Binder – follow-up items for completion*
- *Closing Prorations (Preparation/Verification)*
- *Recap of Post-Closing Requirements*

## DELIVERABLES

- Project Mission Statement
- Community Engagement Strategy
- Engagement Meeting Agenda
- *Executed Purchase Sale Agreement (PSA)*
- *Executed HUD-1 Form*
- *General Liability Insurance Policy*
- *ALTA Survey*
- *Zoning Opinion Letter*
- *Title Insurance*
- *Closing Binder*

## MILESTONES

1. Project Mission drafted
2. Community Engagement outreach launched
3. *Letter of Intent Executed*
4. *Private Sale Agreement Executed*
5. *End of the Study Period*
6. *Closing on Land*

## METHODS FOR ACQUISITION

Single-family rehabilitation is one development activity for HOWs that commonly requires acquisition, particularly if the intent is to work at a larger scale as a broader revitalization or to address vacancy and abandonment. Depending on whether you want to acquire a few or many properties, these are multiple strategies for acquisition. For larger scale projects, partnering with an organization or hiring a consultant with existing capacity and expertise is strongly recommended.

### 1. Private Purchase of Individual Units

When there is a clearly identified unit or a list of properties to be acquired, land records and research can be used to contact the owner(s) directly or through a broker. This is often the most timely and straightforward method for acquisition, if the owner can be found and is amenable to sale.

### 2. Acquisition at Scale

For larger acquisition efforts common to neighborhood revitalization, site control is often best suited through partnership with a local government, land bank, or entity that has site control for a larger portfolio. This can be more time consuming, but can result in acquisition of many units at one time.

#### a. Partnership with Local Government

Many communities have local government agencies with acquisition and disposition authority that can partner with community organizations, including HOWs, to provide homes in need to rehabilitation or redevelopment through tax foreclosure, receivership, conservatorship, or other local tools, which vary by jurisdiction.

#### b. Acquisition from a Lender or Portfolio Owner

In some communities, especially those that have experienced significant foreclosure or abandonment, there may be one private owner of many properties that can be engaged as a seller or partner for redevelopment. Work with a broker may help identify potential parties interested in selling multiple units at a time.

### 3. Partners with Existing Capacity

Acquisition and rehabilitation efforts at scale can be complex on phasing, cash flow, and understanding market conditions as they progress through execution of a strategy. Partnering with entities that have successfully undertaken rehab efforts can reduce the risk and increase chances for realizing the HOW's vision.



## 2. PARTNERSHIP & PROCUREMENT

Strong and effective partnerships are integral to development projects. These often matter even more for successful faith-based development that is generally accomplished through a joint venture. There are several models for partnership, and a chosen path may be based on the goals and assets of the house of worship. For HOWs looking to advance mission within the execution of the project, procurement and choice of partner can be a great way to hire local team members, advance racial equity, and further the project mission.

Houses of worship are encouraged to solicit bids for joint venture and development partners, general contractors, and subcontractors, but it is recognized that some HOWs have existing trusted relationships from past projects or referrals from other HOWs who have completed similar projects.

### TASKS

#### Joint Venture Partnership

- Identify Joint Venture Partner through Solicitation or Trusted Relationship
- Discuss Goals and Assets & Roles and Responsibilities for Project
- Draft MOU with Vision and Broad Terms
- Joint Venture Agreement with Specific Terms – draft, negotiate, sign

#### Vendor Solicitation and Management

- Solicitation – draft, review, and release
- Review Responses
- Make Internal Award
- Notify Recipients
- Submit Contract for Execution
- Vendor Intake
- Notify Other Submitters

#### List of Vendors to Solicit and Manage

- Architect
- General Contractor
- Civil Engineer
- Structural Engineer
- Geotech Consultant
- Green Building Consultant
- Property Manager
- Service Provider(s)
- Other Vendors as Identified for Project

### DELIVERABLES

- Request for Proposals for each Vendor
- MOU for Joint Venture Project
- Joint Venture Partnership Agreement
- Executed Guaranteed Maximum Price (GMP) Contract with General Contractor
- Executed Architectural Contract
- Executed Contracts with any other Vendors

### MILESTONES

1. Construction Bid Received
2. Architect Bid Received
3. Mechanical/electrical/Plumbing (MEP) Bid Received
4. Contractor Selected
5. Architect Selected
6. MEP Selected



## 3. FINANCE

Financial analysis of a project is a complicated, iterative process that generally begins with initial, back of envelope estimates on costs and potential sources of funds. As the project becomes clearer and its goals are refined, then a more detailed description of project funding sources and uses can be crafted. Project finance experts can help a HOW identify both cost savings and creative funding.

A project needs two budgets: a **development budget** to demonstrate the project can be built, and an **operating budget** to show the project will meet cash flow requirements over multiple years. Financial analysis culminates in the underwriting and approval of a full financial model and proforma that describe the cash flow for a functioning project over the multiyear compliance period for any funding sources.

### TASKS

#### Back of Envelope Calculations

- Interest Rate Increase Analysis
- Increased Construction Costs Analysis
- Increased Development Costs Analysis

#### Sensitivity Analysis

- Interest Rate Increase Analysis
- Increased Construction Costs Analysis
- Increased Development Costs Analysis
- Reduced Rents /Sales Price Analysis
- Slower Lease-Up Analysis

#### Debt Capitalization

- Financing Costs and Assumption
- Loan Application Submission(s)
- Lender Selection
- Loan Document Negotiations
- Commitment Letter Execution
- Work on Closing Checklist
- Loan Closing

### DELIVERABLES

- Approved Business Plan
- Commitment Letter(s)
- Final Development Proforma / Underwriting Model
- Pre-Development Draw Schedule
- Market Study
- Property Appraisal
- Project Draw Schedule

### MILESTONES

1. Debt Application Submitted
2. Commitment Letter Issued
3. Debt Closing
4. Soft Debt Application Submittal
5. Soft Debt Commitment Letter
6. Soft Debt Closing
7. Limited Partner Equity Commitment Letter
8. LP Equity Closing



## 4. DESIGN

Design is a step in the process in which a HOW can play a key role. Creative work on design can include aspects to the interior and exterior of the project, mechanical systems and materials, green building and resilience, and the overall neighborhood context of your project. These are all topics in which a HOW and the lived experience of its members and leaders can help inform a good design.

Similar to expertise in finance, experts in design can help a project identify efficiencies and costs savings while meeting the overall project mission. Design connects to finance, procurement, services, and the construction process, as choices about the design for a project cascade through development.

### TASKS

#### Design Team

- Architect Setup Meeting
- Civil Engineer Setup Meeting
- Structural Engineer Setup Meeting
- Geotech Consultant Setup Meeting
- Setup Meeting for any other consultants
- Create Construction Assumptions for Pricing
- Make Finish Selections
- Third-Party Review of Construction Bid Drawings

#### Design Iteration - subcategories

- **Resilience and Sustainability**
- Project-centered design considerations (ex: healing-centered, trauma-informed; health-focused)
- Unit Count / Layout
- Common Spaces and Amenity Spaces
- Site Plan and Outdoor Space
- Exterior Skin
- Review, Validate, and Revise Contractor Pricing (*likely multiple iterations and design changes*)
- Confirm availability of materials for all subcategories

#### Permitting

- Building Permit Submission
- Right of Way Permit Submission
- Dumpster Permit Submission

### DELIVERABLES

- Schematic Design Set
- Design Development Set
- Contract Documents Set
- Building Permit
- Finishes Selection Sheet
- Guaranteed Maximum Price (GMP) Contract

### MILESTONES

1. Schematics Completed
2. Final Design Completed
3. Permits Issued
4. GMP Contract Signed



## 5. DEVELOPMENT

The Development phase includes due diligence work for the budget, physical, compliance, and partnership tasks, along with the assembly of a full development plan and several administrative tasks. For Houses of Worship not steeped in the development process, most of these steps are undertaken by your joint development partner, but there are opportunities to lead or be intentionally involved with community engagement activities and refinement of the market study to ensure consistency with your project vision.

### TASKS

#### Due Diligence

- Final budget – draft, approval, & accounting
- Review 3<sup>rd</sup> Party Reports & Property Drawings
- Order Phase 1 Environmental Site Assessment
- Environmental Report – draft, review, final
- Site Survey – draft and final
- Property Conditions Assessment Report
- Structural Analysis Report – preliminary, review, final
- Research Building and Zoning Code Compliance
- Obtain Zoning Opinion Letter
- Confirm Service Availability – Water, Sewer, Electric
- Partner Reference, Social Media, and Court Checks

#### Development Plan and Budget

- Operating Agreement – draft, review, approve
- Development Agreement – draft, review, approve
- Property Tour – Architecture and Structural Analysis
- Create Development Schedule
- Contingency Review and Recommendations
- Final Redevelopment Design and Budget

#### Project Market Analysis

- Initial Project Schedule
- Closing Documents and Execution Plan
- Closing Check List
- Recap of Post-Closing Requirements

#### Community Engagement

- Present Project to Community Association, Political Representatives, and Other Neighborhood Leaders
- Revise Community Engagement Plan as Needed

#### Administrative

- Contract Log and Execution
- Certificate of Insurance Log and Additional Insured List
- Seller Deliverable Log
- Obtain Quotes for General Liability and Builders Risk

### DELIVERABLES

- Development Schedule
- Phase I Environmental Report
- As-Is Property Photos
- Structural Analysis Report
- Zoning Opinion Letter
- Executed Development Agreement
- Executed Property Mgt Agreement

#### *Interrelated from other phases:*

- Market Study
- Approved Business Plan
- Executed Contracts Package
- Executed Partnership Agreement

### MILESTONES

1. Final Budget Approval
2. Final Business Plan Approval
3. Full Entitlement
4. Construction Start



## 6. CONSTRUCTION

Construction management tasks are broken into three categories or sub-phases: pre-construction, construction, and construction closeout. This is another category where a joint development partner or general contractor may lead many of the specific tasks. These tasks may be streamlined and minimized if a project is developed using off-site construction practices.

### TASKS

#### Pre-Construction

- Photographic Documentation pre-construction
- Establish Progress Meeting Protocol
- Establish Project Draw Protocol
- Long Lead Item Checklist and Schedule
- Site Safety Signage
- Site Marketing Signage
- Site Security Protocol
- Schedule and Conduct Pre-Construction Conference

#### During Construction

- Attend Weekly Meetings
- Take Weekly Progress Pictures
- Attend Weekly Site Walkthroughs

#### Construction Closeout

- Master Draw Requests Set Submitted
- Master Lien Release Set Submitted
- Full Change Order Log Submitted
- Final Substitution Log Submitted
- As-Built Plans and Specs Submitted
- Digital and Physical Manuals Submitted
- Final Construction Accounting Submitted

### DELIVERABLES

- Master Draw Requests Set
- Master Lien Release Set
- Master Change Order Log
- Master Substitute Log
- As-Built Plans and Specs
- Digital and Physical Manuals
- Final Construction Accounting

### MILESTONES

1. Mobilization
2. Earthwork and Foundation
3. Superstructure
4. Top-Off
5. Building Weathertight
6. 50% Interior Completion
7. 100% Interior Completion
8. Punchout



## 7. MANAGEMENT

Unless a project is sold upon completion, the activities will continue after the property is occupied. These activities include active property management of the day-to-day needs of the property and its residents, which can be conducted by an owner or contractor; asset management, which is to manage and maintain the long-term physical and financial health of the property; and any services that may be provided at the property. Services also connect with the visioning, design, and financial stages to ensure consistency with other aspects of the development process and can be provided directly or through partners.

### TASKS

#### Property Management

- Tenant Screening
- Maintenance and repairs
- Budgeting and financials
- Staffing
- Maintaining/ utilizing management information systems
- Leasing, tenant selection, and turnover
- Safety and security
- Compliance (rent limits; asset limits; unit composition)
- Recertifications

#### Asset Management

- Developing and maintaining a budget
- Maintaining Operating Reserves
- Maintaining Accountability for Finances
- Tracking and prioritizing work orders
- Managing the life cycle of building systems

#### Resident Services

- Stakeholder coordination on resident goals/interests
- Determination of core staff needed for services
- Determine services approach and partnerships
- Services budget
- Fundraising strategy
- Hire and train staff
- Establish policies and procedures with property mgt
- Set and measure targets for residents' success
- Report outcomes to stakeholders

### DELIVERABLES

- Rent roll / tenant log
- Maintenance log
- Compliance report
- Updated lease agreements
- Annual budget
- Property conditions assessment
- Services agreements
- Grant reports

### MILESTONES

1. Full lease-up
2. Annual budget review
3. Fundraising target met
4. Regular services provided
5. Clean monitoring/audit/ inspection visit