Successful Single-Family Acquisition and Rehabilitation

A Complete Overview of the Skills and Finances Needed To Run a Successful Program
Launched in 1982 by Jim and Patty Rouse, The Enterprise Foundation is a national, nonprofit housing and community development organization dedicated to bringing lasting improvements to distressed communities.

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This book is part of the Enterprise Community Development Library, an invaluable reference collection for nonprofit organizations dedicated to revitalizing and reconnecting neighborhoods to mainstream America. One of many resources available through Enterprise, it offers industry-proven information in simple, easy-to-read formats. From planning to governance, fund raising to money management, and program operations to communications, the Community Development Library will help your organization succeed.

ADDITIONAL ENTERPRISE RESOURCES
The Enterprise Foundation provides nonprofit organizations with expert consultation and training as well as an extensive collection of print and online tools. For more information, please visit our Web site at www.enterprisefoundation.org.
About This Manual

What is an acquisition and rehabilitation program?

An acquisition and rehabilitation program for home ownership helps nonprofit organizations buy and rehabilitate dilapidated houses and then sell them to first-time home buyers. Hundreds of nonprofits use this program to help restore their communities and provide quality, affordable houses for purchase.

Successful Single-Family Acquisition and Rehabilitation is designed for board members and staff of nonprofit community development organizations who are learning to successfully acquire, rehabilitate and sell single-family homes. This manual can make that process easier and clearer. It should be used with the more detailed information and helpful documents available in The Enterprise Foundation's Developer Support System found on the Web at www.enterprisefoundation.org. This manual covers topics such as:

- Locating good houses to purchase
- Finding and supervising contractors
- Selling in the rehab market
- Financial and project management
- Potential risks

This manual is part of the Program Operations series within The Enterprise Foundation’s Community Development Library™. The series provides detailed information on the housing-related programs used most by nonprofit organizations. Other manuals in the series include information on:

- Single-family subdivision new construction
- Single-family housing for infill
- Multifamily new construction
- Multifamily rental housing through renovation
- Scattered-site rental housing
- Home improvement programs
- Supportive housing
- The HOME Investment Partnership Program

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Introduction

An organization operating an acquisition and rehab program for home ownership locates houses for sale within its target area that can be renovated and sold at a price that is affordable to its home-buyer market. This process involves people, budgets, real estate, construction and risk as your nonprofit takes on the challenge — and fulfillment — of being a housing developer.

Buying, rehabbing and selling each house must be managed as separate, unique events because they will be. Few rehabs present exactly the same problems, and each potential home purchaser has his or her own circumstances. Sound, timely and individualized decisions must be made for each house, and this requires a wide variety of skills.

IT TAKES MORE THAN ONE

These types of programs run on very tight profit margins, which makes rehabbing a single house unrealistic. Therefore, an organization must be prepared to manage an inventory of houses before, during and after construction. A successful single-family acquisition and rehab program needs to incorporate proven processes into its operations and have skilled personnel — staff or outside contractors — who can successfully handle:

- Project management
- Financial management
- Construction and construction management
- Marketing and sales
- Accounting

In this day and age, technology can be a valuable resource for project and construction management as well as accounting to help you control and manage all the details. Technology can also help you measure your organization’s progress.

A successful acquisition and rehabilitation program for home ownership involves:

- Coordinating each aspect of the development so that the acquisition, construction, sales and financing elements work together
- Making sound decisions on the scope of work and the construction details for each house
- Tracking costs, budgets and timelines of all your houses as a group as well as each house individually
- Knowing the real estate market within your target neighborhood
- Solving the problems that each house invariably presents
The Single-Family Acquisition and Rehab Development Process

Purchase

You can make better purchasing decisions once you have done your homework. By knowing where and what type of real estate you want, who your potential buyers are (and how many there are) and the anticipated rehab costs and market price, you can buy more wisely. And if you line up financing at the start, you put your nonprofit in a stronger negotiating position.

Here are the steps to help you with identifying houses for purchase:

- Identify the neighborhood you want to buy in.
- Locate financing resources to cover the costs of acquisition and construction.
- Identify the houses that are available.
- Select specific houses for analysis.

FINDING GOOD HOUSES TO PURCHASE

Unfortunately, following these steps will not necessarily get you the houses you want for your program. Many nonprofits find only a limited number of houses are available within their target markets that are also feasible for rehabbing. These limitations exist because:

- Community-based nonprofits focus on targeted geographic areas to maximize neighborhood impact.
- Nonprofits often compete with private-sector landlords who benefit from rental income potential and tax laws and, as a result, are willing to pay higher prices for properties.
- Rehab costs and market conditions limit what nonprofits can realistically pay for a house.
- Clean title is often not available, and without title insurance, your organization cannot use financing to acquire the house.
- If the after-rehab appraisal is lower than the acquisition price, your nonprofit cannot obtain sufficient financing to acquire the house.
- If the property is located in a historic district, requirements and restrictions may make rehab so expensive that your nonprofit would have to spend more money on repairs than it could gain from the sale.
- Environmental hazards may make rehab unfeasible. For example, asbestos or leaking underground storage tanks must be removed before financing can be arranged. Lead-based paint hazards must be reduced before the house can be sold. Such costs must be built into the feasibility analysis you conduct when you are considering the purchase.

KNOWING WHERE TO LOOK

In spite of these limitations, there are houses on the market that should fit your organization’s criteria. Here are four areas in which you can begin your search:

- Veterans Affairs (VA), Housing and Urban Development (HUD) and other federal agencies
- State and local redevelopment agencies
- Private sellers (who often sell through real estate agents)
- Banks (repossessed properties)

Here are the steps to help you know whether to purchase:

- Decide whether the house can be rehabilitated
  - Estimate rehab costs
  - Estimate total costs (excluding acquisition price)
- Estimate the sales price
- Calculate the maximum price you can afford to pay for the house
- Assess the depth of the market for potential purchasers
- Prepare an initial accounting of sources and uses of funds
SURVIVING THE SEARCH FOR FINANCES

Without a large cash balance, nonprofits must finance 100 percent of the acquisition and construction costs. So where are the most logical sources for such financing? In many cities, there are institutionalized sources, such as banks, city or state agencies, or loan funds. These institutions have experience in loaning or, if you are exceptionally lucky, in granting funds to a nonprofit’s acquisition and rehab program for home ownership.

To find these sources, talk with other nonprofits. If institutionalized sources do not exist locally, your organization can pave the way with a bank or agency.

BUT IS THE HOUSE WORTH REHABBING?

Buying a house is feasible only if, after rehab, the house can be sold at a price that covers your costs and is still low enough to be affordable to a lower-income household. To determine the feasibility, you must prepare a project budget for each house you seriously consider buying. Turn to the section on Budgeting and Cash Flow (page 13) to see a sample of a project budget that tests project feasibility.
Rehabbing a house involves more than buying lumber and nails. Many nonprofits find the easiest way to negotiate this phase is to hire a construction specialist. But even if your organization relies on a specialist, it is important that you understand the general processes and know what to expect.

Here are the 13 steps in the construction process that you, or your construction specialist, should follow:

- Determine construction roles: will your nonprofit be the general contractor or will you hire one?
- Itemize the construction that the house needs and develop a budget.
- Arrange construction financing.
- Decide on a construction management system to use.
- Prepare a bid package for contractors.
- Identify potential contractors and ask for bids.
- Select the winning bidder.
- Negotiate an acceptable scope of work, price, and construction timeline with the winning contractor.
- Close on construction financing.
- Begin construction.
- Monitor construction.
- Establish a final construction punchlist.
- End construction.

**WHY WOULD YOU WANT A CONSTRUCTION SPECIALIST?**

Major mistakes in estimating costs, specifying construction items or managing the construction process can be devastating. Rarely is there much leeway within a project budget for unexpected costs, so most nonprofits hire an experienced, knowledgeable construction specialist to be responsible for the actual construction.

Nonprofits that have numerous houses under construction at any one time will likely have a construction specialist on staff. Construction specialists’ job responsibilities are to:

- Decide whether a house can be rehabilitated.
- Estimate rehab costs.
- Specify construction needs.
- Identify potential general contractors who will do the actual work.
- Manage the bidding process.
- Negotiate an acceptable bid with the winning general contractor.
- Negotiate an acceptable construction timeline.
- Monitor and manage the construction process.

**WHAT DO YOU LOOK FOR IN A CONSTRUCTION SPECIALIST?**

Find people who have done construction work on similar houses in the past. Often they will have run small firms, working as general contractors themselves. They will have experience working with and managing construction subcontractors such as heating, ventilation and air conditioning (HVAC) specialists, carpenters, electricians and plumbers. Depending on wage rates in your area, expect to pay a good construction specialist from $25,000 to $45,000 annually.

A good specialist should be able to manage the construction of five to 10 houses at a time, which makes finding this person one of the major challenges in developing your rehab program.

**COMMON CONSTRUCTION PROBLEMS**

Whether you have a construction specialist on staff, hire a general contractor or act as the general contractor, you must be aware of common problems in construction. You and your construction specialist must know what is happening on the rehab project as well as what should be happening. Here are some areas you should pay attention to.
FINDING GOOD (AND AFFORDABLE) CONTRACTORS

You or your construction specialist will spend a lot of time finding and maintaining contractors who are willing to work small rehab jobs. Most nonprofits hire a general contractor to be responsible for construction on one or several houses. The general contractor often hires and oversees subcontractors, each of whom is responsible for specific construction areas. More experienced organizations may have the capacity to be their own general contractor.

Nonprofits starting off should note that:

- Neighborhood people seeking to move up from one type of job, such as carpentry or painting, to being a general contractor often require significant technical assistance in starting a business and finding the necessary financing. Check each candidate’s background, technical and financial resources, and insurance.

- Rehab work is vastly different from new construction; only use contractors experienced in working with the types of construction you propose.

- Big firms rarely are interested in small rehab jobs.

- Experienced nonprofits do act as their own general contractor, controlling the entire construction process, and hire subcontractors for specific jobs. This approach enables a nonprofit to make more use of local builders, but requires significantly more attention from the organization’s construction specialist.

SUPERVISING CONTRACTORS

After determining and negotiating the scope of work, quality standards, price, and timeline with contractors, you or your construction specialist will need to be at the construction site almost daily to ensure the contractor is meeting your expectations.

Dealing with problem contractors can be a major issue for acquisition and rehab programs. The ultimate nightmare is when a contractor stops work, has to be removed from the job and is replaced by another contractor with a different work style and methods. This is why taking the extra time to conduct background checks of the general contractors you are interested in hiring is time well spent.

COMPLETING THE PUNCHLIST

Each rehabbed house will have several small items — a punchlist — that need to be completed before a buyer will agree to close the deal and take possession. Having the contractor finish a punchlist is almost never cost-effective and often time-consuming, especially if the contractor has been paid and has moved on to other jobs. In such cases, it may be better for your construction specialist to grab a hammer and screwdriver and finish the punchlist, rather than deal with the contractor.

SETTING AFFORDABLE QUALITY STANDARDS

Housing developers, including nonprofits, must decide on the amenities, such as having three full baths or two; finishes, such as which type of molding should go in each room; and other aspects of their housing development. Higher quality standards are usually desirable for the consumer and the neighborhood, but will usually cost more.

Nonprofits generally use the local housing code or HUD Housing Quality Standards as their baseline for quality standards. (The HUD standards are mandatory if you are using funds from sources such as the HOME Investment Partnership Program or the Community Development Block Grant.) But it’s not uncommon for organizations to go beyond baseline standards. An experienced construction specialist will have a good idea of what standards can be achieved at what cost. After you rehab and sell a few houses, you will have a very good idea of how the standards you implement are accepted for sale and which ones you can afford to do. You can use this knowledge to improve your program.
Sale

This is the “people” part of an acquisition and rehab program for home ownership. It can be as time-consuming and complicated as construction — and it certainly is as important. For nonprofits, there is more to selling than setting a price. Here are 11 steps in selling a house:

- Determine initial sale (asking) price.
- Devise a strategy for selling the house, either with or without a real estate agent.
- Decide whether your organization or another nonprofit will offer home buyers prequalification and counseling.
- Prequalify interested potential home buyers.
- Negotiate and agree on terms with a purchaser and sign a contract.
- Counsel or assist the buyer in finding good mortgage financing.
- Have the purchaser walk through the house for a final inspection.
- Complete the last minute details on the construction punchlist.
- Close the sale of the house.
- Repay borrowed financing.
- Prepare a final accounting of sources and use of funds.

**SHOULD YOU USE A REAL ESTATE AGENT OR SELL IT YOURSELF?**

Deciding how to market and sell your houses will vary with each nonprofit. You can contract with a real estate agent or have a marketing specialist on staff. There are advantages and disadvantages to both scenarios, and each nonprofit must determine which is better for them.

Cash flow is a good example. Using a real estate agent reduces cash outflow until the house is sold, as real estate agents typically are paid from the proceeds of the sale. (Their fee is usually 6 percent of the selling price of the house.) However, if a house is a tough sale, you may have to work to keep real estate agents motivated, as they may be more interested in marketing houses that tend to sell more quickly.

Having a marketing specialist on staff requires ongoing cash outflow for salary and benefits as well as increased overhead expense. Yet a good marketing specialist can do more than one job, such as marketing and selling the houses as well as helping select properties for acquisition and rehab. Most can work with both single-family new construction and multifamily development.

How do you decide what the break-even costs are? In-house staff can save you money if salary plus related overhead costs are less than a real estate agent’s 6 percent commission. An organization that sells its houses for an average of $50,000 would pay an average sales commission of $3,000. Your nonprofit would need to sell 10 or more units a year, which is peak production for many nonprofits, to justify the $20,000 to $30,000 annual salary of a full-time marketing specialist.

**PREQUALIFYING AND COUNSELING BUYERS**

Area residents watch as the houses are rehabbed, so it’s not uncommon for buyers to come from the neighborhood in which the house is located. And like other home buyers, they must qualify for first-mortgage financing from a local lender. This activity requires analyzing a buyer’s income, assets, credit history and employment history to determine if the buyer will be able and likely to pay the required monthly mortgage payments.

Similar to organizations having their financing in order before they negotiate, individuals can benefit by prequalifying, too. In many cases, counseling may be needed, so your organization should be aware of the available counseling programs.

For example, if a lower-income family cannot qualify for financing because of a poor credit history, your organization should be able to refer them to a credit counseling program that can help them correct the problems and qualify for financing. Similarly, families that are qualified
for financing and have signed contracts can attend home-buyer counseling to learn about routine maintenance and budgeting.

Most medium to large cities have nonprofit counseling agencies to help lower-income home purchasers. Nonprofits running single-family rehab programs should find and refer their customers to these programs.

SELLING IN THE UNIQUE REHAB MARKET

Generally speaking, sale prices for rehabbed houses will reflect the recent sales of comparable houses in the area. This means that if your property is the first or among the first to be renovated, you should not be disheartened when it sells for a price close to that of a non-rehabbed property. Property values in distressed neighborhoods change slowly. It is only after several houses are completed and sold that values begin to rise.

You can get information on comparable sales in the area at the city or county real estate office or through your real estate agent.

COMMON SALE PROBLEMS

These are some common problems encountered by nonprofits when selling rehabbed houses.

- Contracting with a purchaser before rehab is complete may seem like a way to facilitate the sale. But if the final rehab product is not what the purchaser envisioned — and rehabs, by their nature, will often have rough edges — you will have an unhappy, and possibly former, customer.

- Rehabbing to a buyer’s specifications can leave you with a house with unmarketable or too costly features if the original buyer does not finalize the contract. Letting the buyer select carpet and appliance colors can be a good marketing technique; just do not go too far in customizing.

- Installing appliances too far in advance of final purchase can present a greater temptation for theft in some neighborhoods.

- Letting potential purchasers move in before closing can result in two major problems: it can remove their incentive to follow through with the purchase, and if their financing falls through, you may end up renting the house rather than selling it.

- “Goldplating” the rehab by adding amenities or features beyond what the market price will bear raises total development costs well over what can be recouped at closing. This can force your organization to take a loss on the house.
ESTABLISH GOOD PROCESSES

Good processes — defined procedures for accomplishing specific tasks — are crucial to the success of acquisition and rehab programs. By necessity, good processes include not just the computer software, but how the technology is used — what data is tracked and analyzed, when reports are generated, and how the results are interpreted. The goal is to give the board and the staff an accurate picture of where the program stands at any one point.

Nonprofits expecting to develop more than one or two houses a year can make good use of automated software packages, which are inexpensive and readily available today. You should establish good procedures for collecting and inputting information. Typically, updates are done weekly or more often if situations change rapidly. Project managers and construction specialists should receive reports weekly, the executive director monthly, and the board quarterly.

Three types of systems are needed: financial management, construction management and project management.

FINANCIAL MANAGEMENT

Cash flow is a priority for nonprofits. There must be enough cash available, at all times, to completely rehab each house; it is very difficult to sell a house that is 95 percent complete. Because few nonprofits are cash rich, they must continually track what funds they do have. Actual costs must be compared with budget estimates, and the amount and timing of future cash inflows and outflows must be estimated accurately.

This is easier than it sounds. There are several spreadsheet software packages on the market that can be used to manage your cash flow. They are especially beneficial if your nonprofit is developing many houses at once. Your staff bookkeeper should know the spreadsheet program well and have the skills to handle cash flow reporting. Depending on the abilities of your financial management staff, you may find it beneficial to bring in an outside accountant to help design the spreadsheet program to meet your organization’s needs.

If you go outside for an accountant’s help, you should select a person who can also define the rules for merging your rehab program's cash flow process (usually cash basis) with your overall organizational accounting system (usually accrual basis). This can be tricky.

Refer to the Money Management series of the Community Development Library for more detailed guidance.
CONSTRUCTION MANAGEMENT

Tracking construction progress against timelines and budgets is necessary for any rehab project. If your nonprofit develops one house at a time, the American Institute of Architects’ (AIA) forms are sufficient. However, if an organization is developing more than one house at a time, it is more productive to use sophisticated automated software like The Enterprise Foundation’s Housing Developer Pro™ to track construction progress against timelines and budgets. Good construction management systems allow a developer to compare current situations — contractors, subcontractors, length of time necessary for task completion — with those of past developments.

PROJECT MANAGEMENT

Project management is vital to the success of nonprofits rehabbing several houses at the same time. By tracking the progress of each house as part of the whole program, you can ensure the various aspects are staying on plan.

Project management can also identify future problems with the overall coordination of your acquisition and rehab program. For example, will you overburden your construction specialist and delay construction bidding by entering too many houses into the pipeline at once? Will the delay in the sale of one house stymie cash flow and delay your acquiring another house until you can get enough cash for the transaction?

There are at least two alternatives for good project management programs. You can use your spreadsheet software to create a simple program or invest in a software package such as Microsoft Project, which does an adequate job.
Risks and Their Solutions

By virtue of where acquisition and rehab programs for home ownership operate (distressed communities) and who their clients are (lower-income households) they must work with small profit margins. Because there is little financial upside in these programs and a larger potential downside, nonprofits must work smarter, and that means knowing where risk is and how to minimize it.

Some common risks facing nonprofits running an acquisition and rehab program for home ownership and how to avoid them are described below.

**Risk** — Construction costs run over budget. You have estimated the scope of work and costs for a rehab project, but when you break into the floors or walls, you uncover unanticipated (and unbudgeted) costs.

**Solution** — Have construction estimates double-checked by contractors who are experienced with rehabbing similar properties. The ability to develop accurate estimates comes from working with many properties similar in age, condition and construction materials. However, even with experience, estimating construction costs can be tough, so get second opinions.

**Risk** — You have bought the house only to realize it is uneconomical to rehab. The house will have to be demolished.

**Solution** — Before you buy the property, have it reviewed by a contractor who is experienced with similar projects.

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**Risk** — You have bought the house only to realize it is uneconomical to rehab. The house will have to be demolished.

**Solution** — Before you buy the property, have it reviewed by a contractor who is experienced with similar projects.

**Risk** — A house is 95 percent complete, but you have run out of funds.

**Solution** — Base your budget very carefully on accurate cost estimates and appraisals, then closely monitor how actual expenses and income compare with your budget and projected future cash flow. Acquisition and construction donors base their contributions on your budget and often set a not-to-exceed limit. If expenses exceed their expectations, they may not be willing to extend that limit, leaving you with an incomplete house you cannot sell.
Project Timelines

**TIME IS MONEY**

The longer your organization owns a house, the higher the costs and the more financing you need. Property taxes, costs of acquisition and construction financing, property insurance, and utilities increase over time and add to your expenses. You also increase your risk of theft or vandalism, which could mean expensive repairs. These costs increase with each house you acquire and rehab.

Because financing — whether from a public agency, bank, below-market lender such as The Enterprise Foundation, or generated internally — is limited and takes time to arrange, your organization needs to create a house-development timeline. This is an effective tool for managing costs and reducing the need for financing.

**RULES OF THUMB**

The development timeline should be estimated before a house is acquired, as holding times will affect interest and other costs, and therefore the bottom line. Experienced nonprofits use these rules of thumb in acquiring, rehabbing and selling single-family homes:

- Allow one month of construction for each $10,000 of construction cost.
- Allow six months for the total development process, from purchase by the nonprofit, through construction, to sale to the home buyer.

Nonprofits that are just beginning acquisition and rehab programs, or that are using contractors or construction specialists who are unfamiliar with the type or condition of the houses being developed, may require more time.

Use a good project management program to track the actual time each step in the process takes. If actual time exceeds estimated time, you will need to:

- Readjust the remaining time periods for completing the development.
- Analyze whether the new timeline will affect cash flow or other important aspects of development and adjust accordingly.

Build a history from actual experience to improve your timeline estimates for future houses you develop.
BUDGETING FOR REHAB PROJECTS

Before you can approach a lender for financing, you will need to develop two types of budgets: an overall (organizational) budget for your program and a project (development) budget for each house you want to acquire, rehab and sell. A good budget will demonstrate your nonprofit’s ability to leverage funds, which reduces risk to the lender. Typically, nonprofits keep their project budgets separate from their organizational budgets. The nonprofit’s salary, benefits and overhead expenses are listed in the organizational budget. The project includes the direct costs of buying, rehabbing and selling a specific house. For example, salaries and benefits for the construction specialist and marketing director would be accounted for in the organizational budget, not the project budget.

Accurately estimating your project costs and sales revenues will help you identify the type and amount of financing you will need from each of the various sources (a public agency, bank or below-market lender). Many nonprofits obtain a line of credit to fund their acquisition and rehab program. They draw on the line, which has a definite upper limit, as they buy houses and pay construction expenses. As the houses are sold, the credit line is repaid and can be reused.

Development budgets are also used to compute affordability — what income a household would need to qualify for first-mortgage financing given the sale price of the house.

Budgeting and Cash Flow
Sample Project Budget

Here is an example of how you can estimate the project budget.

<table>
<thead>
<tr>
<th>ESTIMATE TOTAL DEVELOPMENT COSTS BY ADDING:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition cost</td>
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<tr>
<td>Your closing costs at purchase</td>
</tr>
<tr>
<td>Estimated construction costs (based on a detailed scope of work)</td>
</tr>
<tr>
<td>Any other development costs (such as a developer’s fee to cover your nonprofit's overhead)</td>
</tr>
<tr>
<td>Your closing costs at sale</td>
</tr>
<tr>
<td>Estimated holding costs (based on length of construction), including real estate taxes, insurance, utilities and financing costs, if any</td>
</tr>
<tr>
<td>Price you need to sell the house to recoup your costs</td>
</tr>
</tbody>
</table>

Subtract any buyer subsidy (add together any closing costs, down payment or second-mortgage grant programs available to potential purchasers). – $5,000

Subtract any cash down payment expected from the buyer. – 1,500

The mortgage amount a buyer will have to finance to purchase the house for $55,000. $48,500

Based on a 30-year mortgage at 7.5 percent interest, the monthly payment for the first payment (and second, if available) would be: $337

Add the estimated monthly payments for property taxes and property insurance. + 100

This is the principal, interest, taxes and insurance (PITI), better known as the monthly housing payment: $437

To qualify to purchase this house selling for $55,000, a household must have a gross income (income before taxes) of between $15,900 and $18,700 annually to pay $437 a month for the PITI. These figures are based on the general guidance of mortgage lenders that the payment be between 28 percent and 33 percent of the buyer’s monthly gross income.
ACCURATE CASH FLOW PROJECTIONS

Cash flow is the lifeblood of a nonprofit’s acquisition and rehab program for home ownership. To keep the organization and each project moving forward, the nonprofit must carefully manage its cash to ensure expenses are paid on time.

A cash flow projection will help you do this. It is the best way to track income and expenses at any given point in the rehab process and maintain solvency.

### Cash Flow for Single-Family Development

<table>
<thead>
<tr>
<th></th>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
<th>Month 4</th>
<th>Month 5</th>
<th>Month 6</th>
<th>Month 7</th>
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<td><strong>Total cash inflow</strong></td>
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<td>$5,000</td>
<td></td>
<td></td>
<td>$20,000</td>
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</tr>
<tr>
<td>Holding costs</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
<td>$1,050</td>
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</tr>
<tr>
<td>Closing costs at sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$600</td>
<td>$600</td>
<td></td>
</tr>
<tr>
<td>City HOME repayment</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>$53,400</td>
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</tr>
<tr>
<td><strong>Total cash outflow</strong></td>
<td>$37,650</td>
<td>$5,150</td>
<td>$5,150</td>
<td>$5,150</td>
<td>$150</td>
<td>$150</td>
<td>$54,150</td>
<td>$107,550</td>
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<tr>
<td><strong>Cash at end</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$5,850</td>
<td>$5,850</td>
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</table>
Organizational Roles

Effective nonprofits maintain a clear separation of roles for the board of directors and the staff (for more on this, see the Governance series in the Community Development Library). With respect to acquisition and rehab programs for home ownership, board and staff roles fall into traditional categories: the board of directors authorizes budgets and financing and monitors the overall program; the staff operates the program.

**ROLES OF THE BOARD**

- Hires and evaluates the organization’s executive director for skills and competency in housing development.
- Authorizes the organization to accept acquisition and construction financing for the program. This can be house-by-house as well as by line of credit to finance more than one house. In either case, the board must approve loans by vote.
- Approves the program’s budget, including programmatic guidelines.
- Monitors the status of the program, including budget-to-actual comparisons.
- Acts to resolve emergencies or any situations that need board approval outside the approved budget and program guidelines.

**ROLES OF THE STAFF**

- Creates a program and budget for the board’s approval.
- Uses technology in its project management, financial management and construction management.
- Finds and assesses properties for potential acquisition.
- Purchases houses for rehab and sale.
- Defines the scope of construction work.
- Hires, monitors and pays contractors.
- Markets and sells the houses.
- Provides the board with interim accounting summations (such as monthly or quarterly) as well as the final accounting — time, finances and costs — after each house is sold.
THE ENTERPRISE FOUNDATION

The Foundation’s mission is to see that all low-income people in the United States have access to fit and affordable housing and an opportunity to move out of poverty and into the mainstream of American life. To achieve that mission, we strive to:

- Build a national community revitalization movement.
- Demonstrate what is possible in low-income communities.
- Communicate and advocate what works in community development.

As the nation’s leader in community development, Enterprise cultivates, collects and disseminates expertise and resources to help communities across America successfully improve the quality of life for low-income people.

ACKNOWLEDGMENTS

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